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ENI REGIONAL R4

FY 2000

2-173

May 1999

POT 1.1 REGIONAL R-4

Results Review

1 REGIONAL ACCOUNTING REFORM AND HARMONIZATION ACTIVITY

(110-0005 - FY 99 \$200,000 and FY 00 \$200,000)
(180-0014 - FY 99 \$200,000 and FY 00 \$200,000)

This activity will be implemented in conjunction with POT 1 3 for which separate funding of \$150,000 of SEED money was approved for FY 00

SUMMARY

This activity is being designed to promote regional and global development, integration, and harmonization of 1) accounting and auditing standards and practices, 2) training, education, and certification of professional accountants and auditors, and 3) development of a regional accounting and audit professional association(s) in support of accounting reform in the ENI region. The proposed mechanism to accomplish this is the formation of one or two regional self-regulatory organizations comprising emerging accounting and audit professional associations in the target countries.

BACKGROUND

Good accounting and auditing practices are essential for a vibrant market economy. They promote transparent capital markets, a sound banking sector, and a transparent public sector. These practices are critical to the transition economies in ENI where privatized enterprises seek to finance their operations and investments by borrowing money from banks or raising equity capital in the stock markets, and where the governments need to be more accountable to the public. Good accounting practices also provide management of these privatized enterprises and public officials with critical financial and managerial information.

Accounting and auditing practices are being globalized to facilitate capital flows beyond borders. International organizations recognize the needs for cross-border trading and encourage development of internationally accepted accounting and auditing standards. More and more multi-national companies raise capital in more efficient foreign capital markets, such as New York and London. In these more efficient capital markets they will also gain access to better investment opportunities, as demonstrated by the merger between Daimler-Benz and Chrysler.

Easy access to cross-border capital flows will aid privatized enterprises in ENI to expand their operations and create jobs, contribute to overall economic growth. However, without speaking the common business language, that is, internationally accepted accounting and auditing practices, the access may be blocked. USAID accounting reform activities are designed to address these needs.

USAID is the most active donor in accounting reform in the region. USAID currently has accounting reform activities in 10 ENI countries, that seek to address the various weaknesses by establishing and disseminating the common business language and providing sustainable mechanisms for such efforts. Linking these country-based activities on a regional basis would considerably enhance the effectiveness in each country by 1) providing an intermediate and mutually supporting platform for accessing and assimilating global accounting and audit trends and developments, 2) outmaneuvering the provincial barriers to reform in each country, and 3) providing the forum for ongoing sharing of materials, strategies and concerns common to the region. USAID experienced a great deal of success in these country-based accounting reform activities. In Kazakhstan and Kyrgyzstan, USAID was able to set national accounting standards and convert 1,000 enterprises to the new standards while training 10,000 accountants in the use of standards. In Ukraine and Moldova, Self Regulatory Organizations (SROs) have been established that would sustain longer-term accounting reform and development. In Macedonia, a new university curriculum has been established that would contribute to professionalization of the accounting profession. These successful methodologies need to be shared amongst ENI countries through a regional mechanism.

RESULTS REVIEW

To date during FY 99, the following progress has been made toward achieving the following indicator - existence of a regional SRO admitted to IFAC

- 1) A conference was held for potential NIS regional SRO participants on the topic of SRO development
- 2) A conference was held for potential NIS regional SRO participants on the topic of training and certification of the accounting and audit professions
- 3) A meeting was held in March 1999 by NIS accounting and audit association representatives to discuss the founding of a regional SRO. The meeting ended with the establishment of an organization committee to set up the administrative structure for an NIS regional accounting and audit SRO.

- 4) Based on the work of the organization committee mentioned in point 3, above, a date has been set in June 1999 for the constitution meeting of an NIS regional SRO to be called "The Eurasian Accounting and Audit Federation"

USAID is in the process of executing a Cooperative Agreement with the OECD to continue work on development of the above-mentioned Regional Federation with a planned obligation date of 8/15/99

Plans for a Balkan Federation have been put on hold due to the unstable political situation in the region at this time. There is still every intention to proceed with the formation of a Federation of Accountants and Auditors for the Balkan region once military action ceases. It is expected that the creation of a Balkan Federation could proceed quickly once circumstances permit such an activity to begin.

The graduation criteria for this particular indicator would be a functioning, sustainable regional SRO which has been admitted to IFAC. The above results are directly in line with achieving the graduation criteria. To date, progress has largely met expectations. There is support among the future members of the NIS SRO for the creation of such an institution. The organization committee continues to cooperate with USAID and the OECD as plans for the constitution meeting of the Federation move ahead. Any difficulties encountered along the way can be directly attributed to the exceptional nature of this activity.

It is expected that progress through FY 01 will result in a functioning NIS SRO in the form of an Federation of Accountants and Auditors which will be acceptable to IFAC for membership and be nearing sustainability as an organization. POT 1.1 is not seeking additional funding for FY 2001 but will be seeking additional funding in FY 2002.

2 Best Practices in Privatization

Approved funding

(110-0005 - FY 99 \$37,500 and 180-0014 - FY 99 \$37,500)

SUMMARY

This is an activity intended to enable the central privatization technical bureau to catalyze more regional lessons learned exchanges. By systematizing the information available to USAID in the privatization area. By bringing together principally USAID related practitioners and managers of privatization projects throughout the region physically at an annual symposium with subsequent follow-up inter agency and ministry exchanges, and by periodic lessons learned publication.

The USAID Privatization technical office in Washington has identified that there is insufficient exchange of information to guide practitioners of privatization in the newer privatization program states derived from appropriate examples principally in the Northern tier USAID assisted ENI states and Russia. There is a pool of resources particularly in training and systems areas that can and should be readily applicable in the new state's programs but because of lack of personal professional linkages it is not done.

BACKGROUND

Privatization programs throughout the region are varied and usually mixed ranging from mass programs to case-by-case. In some circumstances USAID is taking the lead in others it is only playing a supporting role. All of the programs tend to have certain commonalties, which can form a basis for a transfer of knowledge from practitioners in one program to practitioners in another.

USAID finds itself reinventing whole wheels unnecessarily from privatization project to privatization project when only a certain amount of add on and modification of existing programs, training materials, or system support may be necessary in some instances.

Increased communications among USAID ENI privatization related projects particularly now that some are maturing while others are just starting up would reap the reward of previous lessons expensively learned transferred across at low cost across the Region.

RESULTS REVIEW

The approved funding level at \$75,000 led the PER team to concentrate on delivery of the first deliverable and related desired results. These were to create a catalog of USAID ENI lessons learned (training materials, operational manuals, software) on Privatization and related matters in Russian and/or English.

Costs to date - The anticipated research staff costs did not materialize as a no-net-additional-cost way of accomplishing the initial research task was found.

Results. The research phase is not as yet complete thus the production and distribution phase has not been initiated.

Step one. Check USAID's central records project database. CDIE indicated an interest in helping with the project based on a funding available in the divisional funding pool. They initiated

a review of the CDIE project database and other common databases

- a It was found there was no complete list of privatization based projects FM was identified as the only likely source
- b Based on their review it was found that they could not differentiate privatization-related deliverables within their records at the level of detail required by the project
- c It was found the USAID project records were incomplete and incompletely cataloged

Step two It was proposed that the only complete records by POT 1 1 (privatization), by country, by project and by contractor was the financial record keeping file It was found that The Project list was defined up through Dec 1996 but the '96-'98 information had not been completed The full consolidated list broken out by POT, by country, by project and by contractor was promised to be available in the 3rd quarter of 1998 To date (May 1999) the list is not available

Step three When the project lists are in hand it is anticipated that the project screening and selection process, done by interview with experienced USAID staff and contracting staff, will be done by PER staff on a no cost It is anticipated that the initial CDIE file review will not be on a cost basis It is anticipated however that the reproduction costs, and packaging of the Lessons learned material will incur costs It is anticipated as well that a roll out of the lessons learned package as part of the economic reform lessons learned exercise will incur costs

CONCLUSION AND RECOMMENDATIONS We recommended that funding be retained for the completion of this program as part of the regional R42 effort for FY 2000

Resource Requests

1 Corporate Governance - Protecting USAID's Investment in Market Reform

(110-0005 - FY 00 \$500,000 and FY 01 \$250,000)
(180-0014 - FY 00 \$500,000 and FY 01 \$250,000)

SUMMARY

This is a request for a regional activity which will 1) assess the current state of corporate governance in ENI, 2) build awareness of the critical nature of the problem, 3) develop a regional framework for corporate governance that will foster an environment supportive of a regional capital market, 4) form host country task forces to develop country specific action plans to address prioritized problems, 5) coordinate efforts of the donor community to ensure support and complementary effort, 6) mobilize support from private sector partners with interest in the region, and 7) assist Missions in design of supporting activities

BACKGROUND

USAID has played an important and continuing role in the market reforms that have occurred in the countries of the ENI region during the past decade. Now that privatization is well underway throughout the region, assistance from USAID is proceeding into activities aimed at sustaining the reforms and broadening the base of beneficiaries. Corporate governance refers to the framework of rule and regulations that enable the stakeholders to exercise appropriate oversight of a company to maximize its value and to obtain a return on their holdings. A number of USAID activities, such as accounting reform, capital market development and pension, legal and regulatory assistance have been supportive of improved corporate governance.

USAID supported market reforms are not having the impact envisioned when the activities were designed. Public enthusiasm for market reform in the region is under stress, economies generally continue to lag behind pre reform GDP levels, capital markets remain tiny, and privatization is stalled - frustrating the capital markets access to potentially attractive investments which could give critical mass to their operation. Much of the free market infrastructure (the "hardware") is in place. What is lacking is the environment of management accountability (the "software"). The absence of adequate "software" can have devastating consequences. James Wolfensohn, President of the World Bank, said in *The Economist*, "As the battered crises of the emerging markets piece themselves back together in 1999, one

lesson will not be forgotten rotten national economies spring from rotten corporations, if business life is not run on open and honest lines, there is little chance that the wider economy can be "

Corporate governance efforts to date have either been by products of other projects (receiving inconsistent emphasis) or "one-off" activities whose impact is difficult to measure There is a need to perform a stock-taking of what has been done in corporate governance to date, determine its impact in both reality and perception, identify actions which can have a beneficial impact in the current transition environment, and consider regional applicability of past successes in individual countries

In order to consolidate gains to date, provide momentum for continued reform, and "protect" USAID's investment of over \$3 billion in economic restructuring, it is now necessary to systematically address deficiencies in corporate governance, which frustrate investors and discourage the broader public USAID is uniquely suited to play a leading role to catalyze needed change

Expected Results

The corporate governance activity is envisioned as a coordinated program that will involve a close collaboration among the ENI Missions and the Bureau The activity will

- design and conduct a stock-taking assessment and survey in five to six ENI countries of problems and priorities to determine where the countries in the region stand with regard to corporate governance,
- establish and coordinate the efforts of an international working group on corporate governance,
- build consensus for change among the public and private sector in the region through the conduct of workshops and seminars in four to five countries where USAID has undertaken significant capital market development programs,
- provide region-wide coordination, packaging and dissemination of "east-east" solutions to common problems (e g , Poland experiences),
- work with the World Bank in developing lending conditionalities related to corporate governance in up to six countries,
- procure and implement a bundle of common services which Missions may request for their country(ies) of responsibility, and assist Missions in designing country specific corporate governance activities and modifying existing programs in order to optimize their reform impact and sustainability

Personal Services Contractors (PSCs)

Personal Services Contractor (PSC) positions are currently funded under POT 1 1. These are privatization and accounting reform advisors in ENI/PER's Enterprise Restructuring and Privatization Division. Funding will cover salaries of the PSCs as well as the travel costs needed to conduct their work.

Resource request	FY00	CEE	\$880,000
	FY00	NIS	\$640,000
	FY01	CEE	\$550,000
	FY01	NIS	\$835,000

ENI/PER
R4 FY 2000/2001 Submission

SO 1 1 Transfer of state - owned assets to the private sector -14	FY 1999			FY 2000 Request	FY 2001 Request
	FY 95 No Year	FY 98 C/O	FY 99 NOA		
110-0005 Private Sector Initiatives					
Regional Accounting (OECD)			200,000	200,000	0
Best Practices in Privatization			37,500	0	0
Corporate Governance			0	500,000	250,000
PSC'S, Travel & Misc Administration		90,179	280,000	290,000	347,263
110-0009 Economic Restructuring & Financial Reform					
PSC'S, Travel & Misc Administration		50,000	260,000	350,000	487,000
Subtotal - NIS	0	140,179	547,500	1,340,000	1,084,263
180-0014 Privatization & Enterprise Restructuring					
Regional Accounting (OECD)			200,000	200,000	0
Best Practices in Privatization			37,500	0	0
Corporate Governance			0	500,000	250,000
PSC'S, Travel & Misc Administration	30,208	192,175	269,900	375,000	404,167
180-0026 Competition Policies					
PSC'S, Travel & Misc Administration		21,091	217,430	280,000	50,000
180-0027 Business Services					
PSC'S, Travel & Misc Administration		14,786		225,000	92,375
Subtotal - ECE	30,208	227,052	487,330	1,300,000	546,542
Total R4 Request for PD	30,208	367,231	1,034,830	2,640,000	1,630,805

Regional R4

RESULTS REVIEW AND RESOURCE REQUEST

Strategic Objective 1 2

Increased Soundness of Fiscal Policies and Fiscal Management Practices

A Results Review

Fiscal Reform Diagnostics (Ongoing Activity)

POT 1 2 received regional funds in FY 1998 and FY 1999 to carry out a comprehensive assessment of the status of fiscal reform throughout the ENI region. All results have or are in the process of being achieved. NIS funds were used to fund in-depth fiscal diagnostics in four NIS countries (Moldova, Ukraine, Kazakhstan and the Kyrgyz Republic). CEE funds were used to fund similar diagnostics in four CEE countries (Latvia, Lithuania, Bulgaria and Hungary). In addition, combined NIS and CEE funds have been used to (a) assist POT 1 2 in producing its December 1998 SO 1 2 Stock-Taking Report, (b) establish common indicators for measuring fiscal performance across the region, and (c) organize a major Conference on Fiscal Reform and Sustainability in the CEE/NIS scheduled to take place in June 1999 in Istanbul, Turkey. Finally, a data base with key fiscal performance data on each ENI country will be established by the end of FY 1999, to be updated regularly thereafter.

The specific fiscal reform subject matter being addressed in all of these sub-activities include (a) tax policy, (b) tax administration, (c) budget planning and execution, and (d) pension systems. Other related fiscal subjects include debt management (for fiscal deficits) and inter-governmental fiscal relations – the latter subject in conjunction with POT 2 3. Also worth recording is the successful integration of POT 1 2 work with the fiscal reform initiatives of the IMF, the U S Treasury, the World Bank, and the OECD (to cite the most important of the other agencies playing leading roles in this field).

POT 1 2 will have achieved its primary objective by the end of FY 1999, which in summary form can be said to be a common methodology for tracking fiscal performance by all ENI countries on a continuous basis. This capacity will give the Bureau a means for determining when a given country's performance can be said to be "sustainable", i e , when AID or other donor technical assistance can be ended. To maintain the data base, however, a small amount of continued regional funding will be needed, as described in Section B.

B New Program Description and Performance Measures

Maintenance of Fiscal Data Base (New Activity)

Objective As described in Section A, a small amount of continued regional funding is needed by POT 1 2 to maintain the fiscal data base that will be in place by the end of FY 1999. On a semi-annual basis, data will be entered (collected from IMF, AID, country and other sources). Periodic system refinements will be made to the data base as well as improved (simplified) summary information graphics/formats useful to Bureau decision-makers.

Program Description/Rationale Without planning for the continuous updating of the data base, the exercise completed over the past two years will have diminished relevance and, ultimately, limited usefulness for Bureau management. Having invested over \$1 million (FY 98 and FY 99 combined NIS and CEE regional funds) to complete the work described in Section A, a small increment of funds will protect that investment and maintain the capacity of POT 1 2 to follow fiscal progress in the years to come.

Results/indicators Semi-annual updating of fiscal data for an additional *two years* (data for end 1999, mid and end 2000, and mid 2001). Two additional in-depth fiscal diagnostics (one CEE country, one NIS country) will also be completed. The program will be reassessed at that point to see what further funding is needed.

Resource Request FY00 CEE \$100,000
NIS \$100,000

Note: No funds requested for FY 2001, unless full funding needs to be spread over FY 2000 and FY 2001.

Regional Pension Supervision/Regulation Project (New Activity)

Objective This will be a new activity, managed by the Bureau's Senior Pension Reform Advisor under the auspices and supervision of POT 1 2. The principal objective will be to establish and support a regional association of private pension fund regulators. A secondary objective will be to make available a limited pool of funds to support continued "post-presence" pension reform training and technical assistance in countries where AID bilateral programs have been closed out.

Background Pension reform tends to be one of the last of the major structural reforms to be undertaken by transition countries. In some ENI countries, pension reform has received early attention, but as a rule serious reform efforts have gotten underway only toward the end of AID's scheduled presence (e.g., in the NTIER CEE countries, Poland, Hungary, Latvia). In fact, it was only in 1997 that the ENI Bureau formed its Pension Reform Working Group to guide its strategy in this area, and only in late 1998 that we hired a full time Senior Pension Reform Advisor.

Pension reform (summarizing part of the newly adopted ENI Bureau Pension Reform Strategy and Guidance Paper) has two principal dimensions: (1) reforms to national state-run "pay-as-you-go" social security systems, referred to as "Pillar I" systems, and (2) the introduction and/or improvement of private pension systems, be they mandatory for all workers or voluntary for selected groups of retirees, referred to as "Pillar II" and "Pillar III" systems, respectively. The reforms to Pillar I systems are generally concentrated on increasing retirement eligibility ages and reducing the number of early retirement exception categories. Pillar II mandatory private pension systems (now being introduced in Poland, Hungary and Kazakhstan) permit retirement contributions

to be invested by private pension fund managers in a mix of debt and equity investments. Pillar III private pension funds, already in existence in most CEE countries, are also managed by private fund managers.

With regard to both Pillar II and Pillar III systems, the most critical requirement is *a carefully structured and effectively enforced pension fund supervision capacity*. This is a principal measure of POT 1 2's graduation threshold for pension reform. Legal/regulatory systems for this purpose are being put in place in all countries where private pension funds are operating. However, based on experience to date, it is apparent that close involvement by AID and other donors must be maintained over a multi-year period (minimum three years) to help insure that the pension fund regulatory systems and procedures are truly in place and working. Except for NTIER CEE countries (as described below), sufficient time remains in the scheduled duration of AID bilateral programs in all other ENI countries to fund any country-specific AID activities using bilateral (not regional) funds. We will work closely with all Missions where pension reform initiatives are contemplated to complete as much work as practicable prior to close-out dates.

Program Description/Rationale The Regional Pension Fund Supervision/Regulation Project will consist of *two components*

1 Regional Association of Pension Fund Regulators As pension fund regulation gets underway in ENI countries, there is a clearly identified need for an institutionalized means for a regional association of pension fund regulators. An association dedicated to this purpose would permit fund agency staffs in member ENI countries to compare experiences and apply lessons from one country environment to another. Best practices in pension fund supervision and regulation would be reinforced, standards of performance would be related to international expectations, and donor coordination would be enhanced to support both individual country and regional support.

Demand for the creation of such an association has been frequently expressed in pension reform seminars and conferences over the past two years. Among the donors, in addition to AID, the World Bank and the OECD are potential partners in fostering a new association. At first, the member countries would be those ENI countries that have already established a pension fund regulatory agency, but all other ENI countries would be eligible. An open question is whether/how the new association should relate to or (possibly) be merged into a broader international association of pension fund regulatory agencies. No such international grouping, per se, currently exists.

Results/indicators At the conclusion of the two-year project, a new regional association will (a) have been established, (b) have held at least four technical meetings, (c) have established a journal or other means of disseminating technical information generated by the association's work, and (d) have a viable plan for continued work that does not rely on AID resources.

2 Country-specific pension reform assistance The second component of the project is narrowly defined to support only those ENI countries in which (a) AID has closed out its bilateral program and (b) there is a clearly defined need for continued, limited funding by AID of pension fund regulatory strengthening Experience shows us that fully institutionalizing sustainable pension fund supervision agencies (i e , well trained staff and experienced agencies able to carry out their functions without further recourse to outside technical assistance) may carry over into a "post-presence" period, during which continued access to U S expertise is needed This is already the case for Hungary, and can be anticipated to be a critical need in other graduated NTIER CEE countries

Results/Indicators At the conclusion of the two-year project, at least four graduated NTIER CEE countries will have been assisted by the project Exact measures of results achieved via each intervention will be determined as each is planned and implemented

Per paragraph 5 C of the Regional R4 Guidance instructions, concerning programs in close-out countries, this component of the project is further justified as follows

- The problem being addressed (consolidation of private pension fund regulation and enforcement) is critical for the completion of pension reform, without this, pension reforms could collapse with attendant negative spillover effects,
- There is a need for AID resources in addition to host country and other donor financing of training and technical assistance The key point is AID leadership among the donors on regional pension reform, particularly concerning grant-funded technical assistance The Senior Pension Reform Advisor will lead the identification of specific activities to be supported and directly manage all activities Also, regarding obligation of AID funds, the maximum commitment to any one country will not exceed \$125,000, and there will in every case be a matching commitment whereby the combined host country and other donor funding will at least equal the AID commitment

Resource Request

Component 1 (Regional Association)

\$500,000 – FY 2000 -- \$250,000 CEE

FY 2000 -- \$250,000 NIS

Component 2 (Country-Specific Pension Reform)

\$500,000 – FY 2000 -- \$500 000 CEE

Note No funds requested for FY 2001, unless full funding needs to be spread over FY 2000 and FY 2001

[Additional Note re Component 2 POT 1 2 believes that funds for discreet pension reform assistance in close-out countries will best be allocated and managed via the proposed project An alternative, however, would be to approve such funding as part of the POT 1 4 Partners for Financial Sustainability (PFS) regional activity]

Personal Services Contractors (PSCs)

Personal Services Contractor (PSC) positions are currently funded under POT 1 2 Funding will cover salaries of the PSCs as well as the travel costs needed to conduct their work

<u>Resource Request</u>	FY00	CEE	\$710,000
		NIS	\$425,000
	FY01	CEE	\$440,000
		NIS	\$210,000

SO 1.2 Increased soundness of fiscal policies and fiscal management practices	FY 1999			FY 2000 Request	FY 2001 Request
	FY 95 No Year	Y 98 C/	FY 99 NOA		
110-0005 Private Sector Initiatives PSC S Travel & Misc Administration		14 000	25 000	203 500	69 125
110-0009 Economic Restructuring & Financial Reform Fiscal Reform Diagnostic Maintenance of Fiscal Data Base Regional Pension Reform/Regulation Project PSC S Travel & Misc Administration			100,000 60 000	100,000 250 000 313 500	0 198 000
Subtotal 1.2 NIS	0	64,000	185,000	867,000	267,125
180-0014 Privatization & Enterprise Restructuring Maintenance of Fiscal Data Base Regional Pension Supervision/Regulation Project PSC S Travel & Misc Administration	67,115			100 000 750 000 150 000	192 500
180-0026 Competition Policies PSC S Travel & Misc Administration			80 000	230 000	48 000
180-0027 Business Services Fiscal Reform Diagnostic PSC'S Travel & Misc Administration		16,627	100,000 105,600	150 200	0 85,625
Subtotal 1.2 CEE	67,115	16,627	285,600	1,380,200	326,125
Total R4 Request for Pot 1.2	67,115	80,627	470,600	2,247,200	593,250

CLEARANCES ENI/PER/LRTF AShapleigh _____

Program Objective Team 1 3
Accelerated Growth and Development of Private Enterprise

REGIONAL R4 SUBMISSION

A Ongoing Program Activities¹

1 EBRD U S Advisor's Fund

Objective Continuation of activity through FY 2001 in order to

- Support sectors such as environment, business services, privatization, private sector development (including small and micro-enterprise development), finance, and democracy and governance - which directly address USAID's strategic objectives in the region

Background Established in 1997, the U S Advisor's Fund provides funding support to the European Bank for Reconstruction and Development (EBRD) for the use of U S technical assistance consultants to design and implement EBRD-financed programs

Results were as follows

- In the first year of operation the Fund supported three consultancies totaling \$130,000 During the current reporting period seven new consultancies were initiated with a total funding of over \$550,000
- Thus, to date, the Fund has supported ten consultancies with a total funding of \$684,224 Consultancies have been in the environment/energy, privatization, private sector development and business services sectors

Resource requests listed below have been realigned and increased to meet anticipated increased demand particularly in the Balkans in general and the front line states in particular and the NIS When peace is realized in the

¹ An on-going activity Anti-Corruption Initiative which was included as part of the POT 1 3 Regional R4 Submission last year will be included in submission of POT 2 2

front line states there undoubtedly will be an increased need for the EBRD to fund activities in the sectors mentioned above. In discussions with EBRD's senior management, they pointed out that in addition to sectors already supported under the U S Advisor's Fund emphasis in the future will be placed on employment generation through activities in micro-finance and the small- and medium-sized enterprise (SME) sector. EBRD has also requested support for a micro-finance/SME trust fund. While this is not currently possible, additional funds in the U S Advisor's Fund will provide some support for this request. They also stressed that some requests are likely to be larger than those routinely supported under the Fund (i.e., average request to date has been approximately \$50,000).

Resource Request

		<u>FY' 99</u>	<u>FY' 00</u>	<u>FY' 01</u>
110-0001	(NIS)	\$250,000	\$400,000	\$400,000
180-0249	(CEE)	\$400,000	\$550,000	\$550,000

2 Regional ENI Commercial Law Diagnostic

Objective A continuation of the Regional Commercial Law Diagnostic activity has two objectives

- Continue to deepen the Bureau's understanding of what type of training and or added technical assistance is needed for successful commercial law reform in ENI countries and,
- Reinforce and apply the "lessons learned" to ensure that USAID leaves behind credible laws and institutions

Background Development literature and our interim assessments indicate that commercial law reform is far more complex than originally believed. Additional regional funds are requested in order to meet our objective of developing a meaningful methodology and management tool for commercial law reformers.

As of April 1999, the project has successfully reviewed the status of commercial law reforms in three ENI countries in six categories: company law/corporate governance, contract law, collateral law, bankruptcy law, trade and investment regime, and, competition policy. A fourth country (Kazakhstan) will be assessed in late April/May.

As a response to the current conflict in the Balkans, it is proposed to engage in comparative commercial law assessments in the front line states of Bulgaria, Croatia, Albania and Macedonia (and possibly Kosovo and Montenegro) to ascertain the status of commercial law reform. If a decision is made to increase the budgets for these countries, these assessments could be used to ensure that the Bureau has a clearer understanding of how to maximize resources in the area of commercial law reform to ensure sufficient integration with the other economic reform programs. In short, to ensure that the commercial law reforms are "irreversible."

Results were as follows

- A methodology has been developed and adopted by which USAID is measuring the success of commercial law reforms. Indicators include, but are not limited to, evidence of implementing regulations, economic efficiency of laws, administration capacity, enforcement capacity and willingness, and decreases in bureaucratic hurdles impacting the legal system. In sum, the methodology defines "best practices" for general commercial law matters in the ENI region.
- Coordination with other donors is pursued. The methodology is being vetted by other institutions such as the World Bank, EBRD, and possibly the EU.
- The project has recommended "lessons learned," including how to institutionalize cross-border regional information exchanges on commercial law reforms. In fact, ENI is already applying some of the lessons learned in the development of new commercial law projects for the region. For example, we are now including public education outreach components in most of our legal reform projects and are attempting to formalize the process by which groups and individuals can influence a country's rule making procedures.

Shortly, assessments will have been concluded in four countries: Poland, Romania, Ukraine and Kazakhstan. The assessment teams were comprised of U.S. and CEE experts, as well as members of the international donor community, such

as EBRD Having the EBRD participate ensures that the project takes into account the approaches used by other donors in the area of legal reform This also cuts down on duplication of efforts

A regional workshop is being developed for late September 1999 to review findings of the assessments and moreover, discuss how to implement the lessons learned to improve the legal reform process

Expected results will include

- A broader and deeper understanding of the status of commercial law in the region as a whole, with emphasis on the front-line southern-tier states
- The development and implementation of three regionally integrated pilot initiatives to put into practice "lessons learned "

Resource Request

	<u>FY'00</u>
180-0026 (CEE)	\$400,000

3 Partnership for Insurance in Emerging Markets

Objective Assist northern-tier countries and Russia to develop their risk management and insurance markets so as to encourage investment

Background Through two, 632 transfers to the Department of Commerce, programs have been established to include research and analysis, technical assistance and a series of seminars to promote new ideas and solutions to problems of insurance regulation and oversight, papers on catastrophic risks, the WTO Financial Services Agreement and capital requirements for insurance entities

Expected results will include

- An expanded number of insurance products offered to the public,
- Significant reduction in risk assessment associated with the investment climate,
- Satisfying WTO requirements, and,
- Increase in direct foreign investment realized

Program agreements were executed only in the fourth quarter of last year and therefore, it is too early to highlight performance to date. In addition, given the financial crisis in Russia last year, and the continuing political unrest, early implementation efforts in Russia have been delayed. It is expected that progress will be sufficient to include in future Regional R4s.

Resource Request

There is no need for additional funding at this time.

B New Program Proposals

1 Global Technology Network (GTN)

Objective A GTN trade-matching program between U S companies and those based in high-priority regions of Europe/NIS would be developed in four technology sectors: energy/environment, agriculture, health and communications.

Background This proposed activity was approved as a shelf project last year. This internet-linked network would utilize USAID-financed and other programs in Europe/NIS countries to gather and disseminate trade leads to the 60,000 U S companies in the GTN database. GTN is now operating on three continents—Asia, Africa and Latin America—and has already generated more than \$90 million in trade and investment. Twenty-one state trade organizations, SBA and USDOC partners assist GTN staff with strategic follow-up. GTN would assist ENI in establishing a long-term presence in Europe/NIS countries and work with U S companies operating in the region long after U SAID closeouts. The regions being considered include the southern Balkans, the Western NIS, the Caucasus, and Russia-Ukraine.

ENI/EMI co-funding of \$68,000 has been provided to initiate a trade matching program with the USAID-funded Macedonian Business Resource Centers (MBRC), whose staff are being trained in GTN system use. During 1999, G/EGAD/BD would start the process of identifying appropriate partners in neighboring Balkan countries for collection and dissemination of trade leads. In FY '00 and '01, G/EGAD/BD proposes to move into Phase II of this program, expanding

the regional dimensions of the FYR Macedonia program to establishing a "Balkans Trade Association" (BTA) in FYR Macedonia, Bosnia and Croatia, to facilitate intra-regional business collaboration as well as U S -Balkan trade (Albania would be an alternate participating country) .The cost of this initiative would be \$50,000 per country in FY'00, for a total of \$150,000

Expected results

- Increase trade linkages between US/Balkans and within region,
- Technology transfers completed
- Execution of business agreements improve corporate responsibilities, and,
- Over time, trade regimes more closely "harmonized"

The project would be for three years

Resource Request

	<u>FY' 99</u>	<u>FY' 00</u>	<u>FY' 01</u>
180-0023 (CEE)	\$68,000	\$150,000	\$150,000

2 Regional Trade Initiative

Objective This proposal will assist the efforts of U S trade and commerce policy makers to establish better cross-border, regional and international trade linkages

Background This proposal was approved as a shelf activity last year Trade linkages help reduce regional tensions and the integration of national economies into the WTO/World trading system This initiative will support particularly bilateral and regional harmonization initiatives that dovetail into the broader WTO, GATT and related activities This initiative will be managed jointly by the ENI and Global bureaus for their respective component parts of this initiative The two components are 1) Support of the trade policy and legal apparatus to assist it in harmonizing itself with its neighbors and region (in a similar manner to the Southeast Europe Cooperation Initiative (SECI) for customs issues) 2) transaction facilitation in support of the first component employing the Global Technology Network (GTN), an internet-

linked network devoted to trade matching opportunities between US and regional and regional companies

Development of Policy and Legal infrastructure The focus of this effort will be to harmonize and de-regulate trade practices so that SMEs and foreign investors/traders will be further encouraged to transact business across contiguous and regional borders. The bulk of the funding would be used for regional seminars and regional and bilateral initiatives in support of the trade flow facilitation and support of the enforcement of simplification and harmonization measures. This initiative would be closely coordinates with the World Bank, EU, WTO initiatives, EBRD, World Customs Organization etc. This aspect of the initiative will focus on systemic issues and barriers, and encompass regulatory reform. Neither EU nor CIS membership will be promoted. Likely focus points of the effort will be Yugoslavia and the Balkans, the Caucasus, the CAR and the Russian Far East. This activity will require close consultation with the U S Trade Representative, S/NIS/C and State/EB in order to ensure conformity with broader U S foreign policy interests.

Expected Results

- Trade/Customs Procedures harmonized with neighboring states, and,
- Reduced border delays for trucking, shipping, air, transaction costs/corruption/red tape minimized

The project would be for two years

Resource requests

	<u>FY' 99</u>	<u>FY' 00</u>
180-0023 (CEE)	\$ 50,000	\$150,000
110-0009 (NIS)	\$200,000	\$250,000

3 Prospects for Private Insurance in the Transition Economies of Eastern Europe

Objective Expand insurance coverage and programs to the southern-tier countries

Background This proposed activity lays the groundwork to expand the ongoing activity entitled "Partnership for Insurance in Emerging Markets" to include the countries of the southern-tier

Of all the sectors of the economy, insurance is among the most dramatically affected by the transition from communism. The insurance industry creates products to transfer the risks of accidental loss, thus protecting the assets and stabilizing the income of individuals and businesses. In centrally planned economies this service seemed redundant, in a market economy it is an essential support for economic development. State-owned enterprises do not need insurance, private enterprises cannot meaningfully project their cash flows nor obtain significant financing without it. Under communism, individuals expected the State to assist their recovery from accidental losses, a market economy places the responsibility for managing risks on individuals. Thus, the state of the insurance industry is an important measure of the level of economic development and the prospects for economic democracy.

Insurance is also one of the three stools of the financial sector, along with banking and securities. The development of these industries is linked, not only because they share infrastructure and skill requirements, but also because of their mutual interdependence. Insurance facilitates both bank lending and equity investment, but it depends on a reliable payments system to collect its revenues and on efficient capital markets to provide investment opportunities for its accumulated funds.

Despite common problems, the countries of Eastern Europe differ in regard to specific cultural and infrastructure preconditions for private insurance markets. Some had developed industries in the pre-communist era, some did not. Property rights, monetary conditions, accounting standards, information quality, managerial skill, and the propensity to save or plan for the future vary widely from country to country.

The project would be for one year

Expected Result

- A country-by-country assessment of the insurance markets will facilitate planning the economic development of the Balkans

The International Insurance Foundation, which provides technical assistance to the insurance markets of the northern tier countries under the International Insurance Technical Assistance Partnership, has completed a preliminary study of the insurance market in Slovenia. This study of Slovenia can be expanded and replicated in other front line states, especially Croatia, Romania, Bulgaria, and Hungary, to compare conditions and identify critical elements in a successful development path. Inclusion of selected northern tier states, such as Poland and the Czech Republic, will provide appropriate regional benchmarks for interpreting the findings.

The methodology for the study combines economic and market analysis with on site empirical research, emphasizing interviews with appropriate government officials and industry participants conducted by professional insurance analysts. The results would be presented in country reports, structured in a consistent analytical framework for meaningful comparisons, along with a regional summary.

Resource Request

FY' 00

180-0249 (CEE) 125,000

4 Implementation follow-on for "Partnership for Sustainable Private Enterprise Growth - 21st Century Vision for USAID and Partners in ENI Region

(a) Regional Economic Integration Workshop

Objective This activity will support research, analysis and a regional workshop on the regional economic integration among the countries in the ENI Region

Background Country Delegates at the Regional SME partners conference, held in Sofia Bulgaria in February 1999, strongly expressed the need to strengthen the dialogue on ways to better integrate the economic interests of the countries in the ENI region and among various sub-groups of countries in the region. We have an opportunity to provide catalytic assistance to stimulate the dialogue on post assistance, market-based trade and investment relations in the ENI Region.

The project would be for three years.

Expected Results

- The research and analysis would augment the ENI Strategy for Enterprise Development in the 21st Century in the area of regional economic structure and ways to strengthen regional relationships.
- The regional workshop would be a direct response to ENI SME partners' expressed interests for a follow-on workshop that would focus on regional economic integration and on ways to strengthen their East to East Partnerships.
- This will complete another dimension of the opportunities for USAID to develop post-USAID relationships in the ENI Region.

(b) Implementing the ENI Strategy for Enterprise Development in the 21st Century

Objective This activity will support the implementation and refinement of the ENI Bureau's Strategy for Enterprise Development.

Background One of the results of the strategy work was the clear recognition that the countries in the ENI Region are at vastly different points in the process of transition to market economies. For purposes of exposition, the countries were divided into three broad groupings with respect to stage of transition (early, middle and well advanced). Within these groupings, there are also large differences with respect to the enabling environment, supporting institutions and other factors important to the development of sustainable SMEs. While the EBRD has done a good job of defining measurement criteria for the

transition of the overall economy in its Transition Reports, there is not similar work for the enabling and institutional environments for emerging SME sub-sectors of these economies. Selective analytical and strategy refinement for up to ten countries in the region (over two years) will generate better targeting of country strategies to achieve sustainability when graduation from USAID assistance occurs. The methodology would maximize the use of local consultants under the supervision of U S consultant.

Expected Results

- Better targeted and more efficient use of resources for enterprise development in support of new ENI Bureau's Strategy for Enterprise Development
- More specific criteria for defining when specific interventions have achieved minimally acceptable results
- Strengthen understanding of the elements of transition that are most important to SMEs and how best to address constraints

Resource Request

		<u>FY' 99</u>	<u>FY' 00</u>	<u>FY' 01</u>
180-0023	(CEE)	\$125,000	\$175,000	\$225,000
180-0005	(NIS)	\$125,000	\$300,000	\$300,000

5 CEE Collateral Registry Initiative for Moveable Property

Objective The proposed CEE regional moveable registry project will emphasize the development of registries in the southern tier countries and serve

- As a catalyst for the development of individual collateral registries in those countries where they still do not exist (to put all of the countries on equal commercial footing) and,

- Help establish linkages between the new and existing registries for moveable property in the southern tier CEE countries, and possibly Kosovo. The project can be expanded to other countries in the region on an as needed basis

Background A registry for moveable property is a critical component of a market economy. Registries allow commercial organizations providing loans to borrowers to acquire through the transaction an interest in collateralized property. Registries are critical for all businesses, including the agricultural sector and small- and medium-sized enterprises (SMEs). In most of the southern tier CEE countries it is the SME sector that is providing a ray of hope for new job and wealth creation. Registries allow commercial institutions to recognize property as a source of security against the loan. Examples of moveable property are goods or chattel and intangible property such as accounts receivable, securities and intellectual property.

Currently only Bulgaria and Macedonia have developed a functioning registry for moveable property. Romania and the Republika Serpska do not have one. Albania and the Federation of Bosnia-Herzegovina are in the process of developing registries.

It is envisioned that this activity will guarantee, for example, that the forms for registering collateral, the process for changing notice of collateral, and, the product codes are similar/compatible.

A training component will be included so as to manage the new registries and will also include advanced training for those experts who already manage registries in Macedonia and Bulgaria. This will enable the Bulgarians and Macedonians to share their expertise and serve as trainers/faculty in those countries that are developing the new registries.

Regional workshops to discuss the importance of registries for moveable property and how the respective registries should work together to ensure compatibility of the registries will also be a part of the planned activity.

Another important aspect of the project would be the ability to share costs for the development of the registries with each other. To that end, the project would coordinate with the IBRD, which is working with various transition countries to provide loans for the registry hardware and software.

A two-year project is proposed.

Planned results are

- Development of cost sharing mechanisms for the region in the development and implementation of registries,
- Development of functioning registries for movable property in each of the southern tier CEE countries,
- Enhancement of businesses, specifically the SME and agricultural sectors, to obtain loans and thus, decrease their use of the informal market to obtain capital needs,
- Greater regional business interaction of banks and other commercial lending institutions,
- Simplification of doing collateral searches for local banks including regional banks,
- Increased cross-border mobility which will allow business people to move from one country to another and know how the respective countries' systems for collateral registries function (makes the region as a whole less parochial), and,
- Development of compatible registry systems that simplify inter-regional cross border business.

Resource Request

	<u>FY' 00</u>	<u>FY' 01</u>
180-026 (CEE)	\$400,000	\$300,000

6 Activity to Ensure Transparency in Rule-Making

Objective This proposed activity will ensure that the citizenry and interest groups are notified of any proposed rule-making effort affecting economic laws and regulations. The regional notification program cuts across all POTs. Since this proposal is submitted under POT 1 3, we propose to lead the activity.

Background A finding of the ongoing POT 1 3 regional commercial law diagnostic is that there is a broad perception in the ENI region that one cannot affect the government's rule making process. The report recommends that governments need to formalize the process by which groups can influence proposed changes in economic legislation and policies (market reform activities)

This activity would give citizens a voice in proposed rule making and thereby help them feel more empowered and less cynical about the system. The regional commercial law diagnostic report finds that the public's confidence in a system is fundamental to a stable legal environment. The project would work with the regions' key economic rule-making ministries to establish a formal mechanism akin to the *U S Federal Register System* to solicit input from the public as to any proposed economic rulemaking.

Most of the ENI countries have several ongoing programs that would be enhanced by the regional notification project. For example, there are several country specific activities underway that work with parliaments to improve their performance in analyzing and formulating public policy and in creating a forum where national issues are debated and resolved. However, in most if not all of the CEE and NIS countries there is a lack of a formal, predictable, and transparent mechanisms to obtain input on all proposed rule-making affecting economic legislation and policy as a matter of course. This project has an added dimension, which is its affect on corruption. Transparency International and other organizations dealing with corruption issues have made it clear that the more open a society is when it comes to the process of legislating and rule-making the less chances there are for corruption, e g , bribery.

The activity would work with several of the key economic ministries in three CEE countries and three NIS countries to develop and put in place system(s) to solicit input from the public and moreover on how to analyze said input and respond to the comments. The activity would also work with the economic ministries on how to ensure that all interested parties have access to the request for input.

The project would be for two years.

Expected results are

- Implement one of the key findings of the regional commercial law diagnostics which is the need to formalize the process by which groups can influence the changes in all aspects of proposed rule making dealing with economic legislation and policies,
- The development of a system(s) that would provide automatic notification of proposed rules to allow public input
- The development of a system that would provide automatic notification of proposed rules to allow public input. The key component of this provision is to provide the public enough time to comment once the notification is issued
- A series of roundtable discussions with ministry officials as to the importance of obtaining regular input from the public
- A series of discussions with the media to ensure that they learn how to analyze proposed regulations and policies so that they can play their part in informing the public

	<u>FY' 00</u>	<u>FY' 01</u>
180-0026 (CEE)	\$350,000	
180-0005 (NIS)		\$300,000

7 ENI MICRO-ENTERPRISE SUPPORT

Objective This transfer would support the competitive award of funds through the G Bureau's Implementation Grants Program (IGP)

Background IGP is an annual competition for programs aiming to expand micro financial services as well as innovative and replicable business development services targeted to the needs of micro-entrepreneurs. These funds would also be used to support the PRIME Fund program. PRIME is an annual competition through which missions can request matching funds to broaden or deepen their micro-enterprise development programs. Under both these programs, the G Bureau's Micro-enterprise Development Office (G/MD) Office screens, scores, and pre-qualifies competitive applications in consultation with the missions and regional bureaus. It also monitors and provides technical support to these programs on an on-going basis.

The project would be for two years

Expected Results

- Expansion of micro-credit programs in the Balkans, and,
- Support a range of additional G/MD programs including scholarships for micro-finance training, access to the Micro-enterprise Best Practices (MBP) program, which undertakes research and training on micro-enterprise, access to G/MD's AIMES impact assessment program, and MicroServe which provides short-term technical support to missions

Resource Request (as a transfer to G Bureau)

	<u>FY' 00</u>	<u>FY' 01</u>
180-0023 (CEE)	\$2,500,000	\$2,500,000
180-0005 (NIS)	\$2,500,000	\$2,500,000

8 Regional Agribusiness Federation

Objective This proposed activity will establish a regional, self-supporting federation of national agribusiness associations (with initial focus on the dairy industry) to promote regional trade, investment and undertake policy advocacy

The project would be for three years

Expected Results

- Business and market information services and related legal training provided, and,
- Commercial ties within the region strengthened, impediments to trade and investment identified and policy advocacy advanced The Federation will represent member associations on issues of joint interest, and provide opportunities for marketing and development of commercial ties

This proposed activity builds on successes achieved to date with agribusiness trade association development in all countries in the region It would be based in Bucharest, Romania or Sofia, Bulgaria and would work primarily in Bulgaria, Romania, Macedonia, Lithuania and Albania However, it would also make intensive use of expertise, firms and institutions already developed in Poland, Hungary, and other countries in the region in the pursuit of closer regional integration

Resource Request

	<u>FY' 99</u>	<u>FY' 00</u>	<u>FY' 01</u>
180-0024 (CEE)	\$300,000	\$700,000	\$150,000

9 EURASIA FOUNDATION EVALUATION

Objective Conduct mid-term review of the Eurasia Foundation (EF) activities supported by USAID in the NIS The current USAID grant agreement states, "An external program evaluation that will include USAID participation and will be contracted for and funded by USAID shall be conducted about half way through the life of the grant and at the end of the grant " To date USAID has not conducted

a comprehensive internal evaluation of the EF The mid-point of the current grant will be fall/winter of 1999

Background In 1993, USAID awarded a four-year grant to the EF to implement the project with a Life-of-Project (LOP) value of \$75,000,000 In 1997 a new grant was awarded to the EF with and LOP value of \$104,350,000 The award was for a period of five years beginning May 1, 1997 to April 30, 2002

- EF promotes and strengthens market economies and institutions concerned with representative government in the NIS In fulfilling its mission the Foundation functions as a rapid-response mechanism capable of providing grants for technical assistance and training directed at the targets of opportunity for achieving durable market economies and democratic institutions
- Because of the flexible nature of the Foundation's mission, its activities address USAID strategic objectives 4 2, Crosscutting Programs, SO 1 3, Accelerated Development and Growth of Private Enterprise and SO 2 1, Increased Citizens' Participation in Political/Economic Decision-making

The project would be for one year

Resource Request

		<u>FY' 99/00</u>
110-0001	(NIS)	\$175,000

POT 1 3 REGIONAL BUDGET FY 2000/2001

			Initial FY	Cummulative	Pipeline		FY 1999		FY 2000	FY2001	Remarks
			of Funding	Obligations	Sep-97	FY 96 CO	FY 98 CO	FY 99 NOA	Est	Request	
110-0009	Regional Trade Initiative							200 000	250 000		
	Legal Advisor						75 000	195 000	320 000	130 000	
110-0005	Financial Advisor							80 000	105 000	79 625	
	Transparency Rule Making								80 000	300 000	
	Total 110-0005						750 000	475 000	755 000	509 625	
180-0023	Micro Enterprise Support								2 500 000	2 500 000	
	Regional Workshop							125 000	175 000	225 000	
	Regional Trade Initiative							50 000	150 000		
	GTN							68 000	150 000	150 000	
	Total 180-0024							243 000	2 975 000	3 500 000	
180-0005	Micro Enterprise Support								250 000	250 000	
	Regional Integratoin workshop							125 000	300 000	300 000	
	OECD SME and Competition workshops (PER)		96						50 000	50 000	
	PER PSC Legal Advisor								143 000	155 000	
	PER PSC Financial Advisor								20 000	20 000	
	Total 180-0026							125 000	763 000	775 000	
180-0249	EBRD Advisor Fund		96				0	0	200 000	200 000	
	EMI/EF PSC Project Officers (3)								336 000	354 000	
	PSC Travel & Misc								120 000	126 000	
	Total, 180-0249						0	0	656,000	680,000	

3

Regional R4

RESULTS REVIEW AND RESOURCE REQUEST

Strategic Objective 1 4

A More Competitive and Market-Responsive Private Financial Sector

NOTE All regional activities in capital markets and banking support individual country programs and their respective strategic frameworks, as detailed in Country Strategy and Results Review and Resource Request documents submitted by each of the ENI countries. Because of TDY schedules and the short timeframe allowed to complete this exercise, the resource requests listed below do not represent any particular order of priority. A determination of activity priority will be made prior to the Regional R4 review.

RESULTS REVIEW AND RESOURCE REQUEST

SO 1.4 - A more competitive and market-responsive private financial sector

This POT clearly reflects the intent of the ENI Bureau to provide the technical leadership for capital markets and banking projects throughout the region. Over the past year, our activities have addressed the challenges of our client countries and missions facing crisis related to effects of financial turmoil in East Asia and Russia. Our focus is increasingly on building sustainability through financial knowledge management, partnership linkages, enhanced responsiveness to information technology issues, improved management for sustainability, and optimal cost effective methodologies. The need for timely assistance to address risk management, and oversight of financial systems in the future underlies the POT 1.4 request for FY 2000 and 2001. This requirement for enhanced regional and technical focus in Washington will guarantee results that can contribute to Mission strategies, framework results and the R-4 processes.

PROGRAM DESCRIPTIONS

East-West Institute (Continuing Activity)

Results Over the last year, the East-West Institute, Banking and Finance Assistance Centre in Budapest held a combination of six roundtables and conferences on a variety of topics of importance to the CEE and NIS financial community (both private and public sector) including the Regulation of Private Pension Funds, how to set up deposit insurance funds, bank privatization and reform, and the role of venture capital funds.

Objective To continue funding a unique approach to transferring financial skills and Expertise, CEO's and other senior management of commercial banks and other financial institutions in the CEE and NIS by providing pro-bono services of senior American and European financial sector experts. In FY99, the East-West Institute began to draw heavily on the newly acquired expertise of senior CEE bankers and government financial officials to provide assistance particularly to NIS and Southern Tier counterparts. This relatively inexpensive activity is an important part of the process of establishing and consolidating a network of formal and informal partnerships between and among the CEE, NIS and Western financial sector players. These links will last much longer than the funding as well as will accelerate the development of

market-oriented banking sectors, risk management, and the integration of the financial sectors in the region by developing a common language and approach

Coverage - This is a regional program whose success depends upon concurrent action and/or cooperation by two or more countries

- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts This activity supports our "Partners for Financial Stability" program

Expected Result Creation of strong informal networks and communication links between financial sector players in the region and U S and Western Europe, as well as between the more advanced countries in Central and Eastern Europe and the lesser developed CEE and NIS countries in order to accelerate the transfer of financial skills and know how

Resource Request No funding was approved last year for FY00, but we are resubmitting our request for both FY00 and FY01 since this activity is so directly supports our Partners for Financial Stability program as well as being one of the main vehicles in the financial sector to support North-South and East-East work

FY00	CEE	\$75,000
	NIS	\$75,000
FY01	CEE	\$75,000
	NIS	\$75,000

Regional Bank Regulatory Assistance (Continuing Activity)

Results to Date In July 1999, ENI/PER will hold a bank supervision workshop in Sofia Bulgaria The theme is "Meeting International Standards," and the focus will be on implementing the 25 Basle Core Principles of Bank Supervision In addition to USAID officials and USAID funded advisors, participants will include, bank regulatory authorities from 22 countries in the region, senior officials from U S bank regulatory agencies, the IMF, World Bank, and the Bank for International Settlements (BIS)

Objective To provide tightly focused, high quality semi-annual regional workshops or seminars to bring together U S and other Western bank regulatory practitioners, institutions and regulatory authorities with their counterparts in CEE and NIS (and the IMF, World Bank, and others) to discuss experience related to the development of legal/regulatory framework for the banking sector, on- and off-site supervision issues, accounting issues, risk management issues, problem bank resolution, bank bankruptcy and related judiciary issues USAID/ENI now has technical assistance activities in these areas in over 15 countries These have been some of the most successful projects in the area of economic restructuring as governments make the transition from owner to regulator As these transition economies and financial sectors become more integrated

into the global markets, the development of a sound, well regulated, efficiently functioning sector becomes even more critical because of spill-over and contagion effects. The IMF and the World Bank recognize ENI as having developed a successful methodology and mechanism for similarities, synergies and cross-fertilization that could be beneficial to all participants. This is a very cost-effective way to continue to - harmonize banking regulations and practices across the region, prepare them for EU entry and include countries who have graduated from USAID assistance.

In addition, we want to begin exploring possibilities of working with the regional bank regulatory group, an offshoot of the BIS – the Group of Banking Supervisors from Central and Eastern Europe (BSCEE) (Note this includes NIS countries as well). Informally, we have already provided speakers at their workshops and conferences, but we want to look at helping them set up a more formal regional training program.

Coverage - This program implements workshops, information networks, and institutional support for cross-border sharing of development experience.

- This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis.

- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts.

Expected Result Faster and deeper harmonization of banking laws/regulations across the region, countries more prepared to meet financial sector directives/requirements for entry into the EU, greater exchange of information and cross-border cooperation between bank regulatory authorities in the regional, more standardized policies and procedures to monitor the banking sector and enforce laws/regulations. All of this promotes greater financial stability, integration of financial sectors in the region and stronger economic growth than otherwise.

<u>Resource Request</u>	FY00	CEE	\$200,000
		NIS	\$100,000
	FY01	CEE	\$250,000
		NIS	\$250,000

Financial Sector Diagnostics (Continuing Activity)

Results to Date We expect to begin using these diagnostics in the near-term related to the SEI Initiative and close-out posts.

Objective To have a rapid flexible response mechanism to identify opportunities and initiatives at government regulatory authorities, oversight ministries and in the commercial banking sector to accelerate the development of a sound market-oriented banking system. Banking crises in the region have undermined macroeconomic stability led to high rates of inflation, social problems and generally undermined

progress in other critical areas of reform as well as USAID activities. These diagnostics can be used in such situations to help determine how the USG/USAID can best provide help. In addition, these diagnostics will be particularly important in those countries in the region which have, heretofore, been slow reformers and changes in governments can lead to windows of opportunity of creative absorptive capacity for assistance. In the past, such diagnostics have been critical in ensuring that USAID is the timeliest provider of technical assistance in the banking sector. We expect that the diagnostics will focus on the following areas: problem bank resolution, bank liquidation, bank auditing functions, off and on-site supervision, bank bankruptcy and related legal and judiciary issues, deposit insurance, banker training. These diagnostics will help ensure increased public confidence in the bank sector, more banking services provided to household and firms, and more transparent resolution of banking crises.

Coverage - This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis.

<u>Resource Request</u>	FY00	CEE	\$100,000
		NIS	\$100,000
	FY01	CEE	\$200,000
		NIS	\$100,000

Association of Banker Training Institutes (Continuing Activity)

Result Four of eight modules (chapters) in International Accounting Standards for bankers completed in full, i.e., comprehensive content. Other four modules are in the process of enhancement. First three modules of risk management courses under development.

Objective This activity will fund the development of additional computer-based training (CBT) courses for commercial bankers and other financial sector institutions. The highest priority courses requiring CBT development are in International Accounting Standards (IAS) and risk management for both commercial bankers and regulators. These and additional core courses will be distributed initially to all past and present USAID-funded banker training centers in the NIS (seven centers in six countries) as well as banker training institutes and regulatory authorities in CEE. They can be used in PC's at banking institutes, participating commercial banks and regulatory authorities. It is expected, however, that these courses will eventually have global applicability and distribution. The ANE Bureau is also putting in substantial funds to increase the coverage and number of modules.

Coverage - This is a regional program whose success depends upon concurrent action and/or cooperation by two or more countries.

- This program implements workshops, information networks, and institutional support for cross-border sharing of development experience.

- This program is intended to extend U S -country relationships and reinforce sustainability beyond closure of USAID posts

Expected Results Development of highly flexible but low-tech prototype computer based self-learning courses in the fundamental market-oriented commercial banking subjects

<u>Resource Request</u>	FY00	CEE	\$100,000
		NIS	\$120,000
	FY01	CEE	\$100,000
		NIS	\$100,000

Financial Services Volunteer Corps (FSVC) (Continuing Activity)

Objective Ongoing FSVC programs use banking and capital market sector volunteers from a wide range of public and private financial institutions to provide technical assistance and training to participating countries in the NIS and CEE All CEE activities are currently encompassed under a \$2,025,000 cooperative agreement that includes \$100,000 in regional funding, with the remainder allocated to specific country programs The availability of regional funding for FSVC activities allows for a broad spectrum of initiatives and critical, short-term problem solving actions to be undertaken Based on these characteristics, it is recommended that for FY2000 and FY2001 respectively, we allocate \$125,000 towards regional funding activities for FSVC

Coverage The scope of FSVC activities, (including assessments, training and other short-term, targeted technical assistance), offers valuable aspects of flexibility and rapid response to program implementation These are all critical factors for countries in which limited (and generally diminishing) budget allocations would otherwise prohibit any work to be undertaken

Through the use of volunteers, FSVC initiatives offer host country counterparts access to individuals with high levels of expertise in specific technical fields, who otherwise, would not be affordable Additionally, the short-term nature of interventions can often lend themselves to unforeseen, discrete activities, for which there are no country budgets The ability to provide rapid turnaround of assistance in banking and capital market sectors, builds solidly on groundwork already in place and if applicable, is also complementary to other USAID-funded activities currently underway in specific countries

Expected Results Regional funding will strengthen and enhance those segments of ongoing USAID financial sector activities in which targeted expert advice is both time and substance critical Additionally, regional funding will allow those countries without specific budget resources, to access volunteer, skilled talent to be directed, through rapid turnaround, to timely and significant initiatives

Indicator 5-7 FSVC volunteers travelling to regional initiatives, 2-4 host country participants slated for training in specific activities

Results-to-Date Initiatives/achievements noted during calendar year 1998, and directly attributable to regional funding allocations, include

- *Romania-National Bank work in monetary policy, market regulation and insurance reform,

- *Bosnia-conference assistance for the Central Bank on the components of a modern payments system,

- *Hungary- pension reform initiatives

- *Poland-investment management strategies

<u>Resource Request</u>	FY00	CEE	\$100,000
		NIS	\$25,000
	FY01	CEE	\$100,000
		NIS	\$25,000

Securities and Exchange Commission (SEC) Inter-Agency Agreement (Continuing Activity)

Objective The SEC program has been in operation since FY 1994 and is intended to facilitate the creation of strong securities regulation in the NIS and Central And Eastern European countries as they develop their capital markets. The program has been instrumental in offering technical advisory services in-country as well as training by SEC personnel both in-country and through programs offered in the U S

The technical assistance portion of the IAA is designed to allow for rapid, short-term assistance in response to unexpected, but pressing needs. Because this is akin to a master contract, we can send SEC personnel to CEE and NIS countries on short notice, with maximum oversight and coordination. Since the SEC and USAID both have home offices in Washington, management of the program has been both time and cost efficient. The IAA is not intended to replace IQC, longer-term projects, but represents the original partnering concept that the Bureau has chosen to expand upon as a prototype.

The annual training programs, the enforcement, International Institute, and corporate finance/disclosure programs serve as useful training and international coordination vehicles. The two annual training vehicles of the IAA bring together about 2 senior regulatory officials from each country in the ENI region. The SEC annual training institutes provide intensive, in depth securities market operational education. In addition, the institutes provide an opportunity for market policy-makers to meet each other, SEC and USAID staff. This has led to significantly better relations among the regulators in the region and better exchanges of information and policy views.

As USAID graduates from ENI countries, and as other donor institutions take over capital markets development programs in Russia and other NIS countries, the IAA offers an established vehicle for targeted assistance in securities market development

Coverage This program implements workshops, information networks, and institutional support for cross-border sharing of development experience

This is an assessment/training arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis

Expected Results Fairer and transparent securities markets overseas based on US expertise in advising on the various centralized and decentralized modus operandi for capital markets institutional development

Indicator 1 Three annual training workshops annually with participants from the region

Indicator 2 Five to ten programs annually, providing legal/regulatory assistance and training

Resource Request	FY00	CEE	\$400,000
		NIS	\$200,000
	FY01	CEE	\$400,000
		NIS	\$200,000

Chesapeake Associates/3-E-Net (Continuing Activity)

Objective ENI/PER/CMB recommends additional funding for Chesapeake Associates from the regional budget, particularly in light of activities in the Eastern European region. Chesapeake's primary efforts have been concentrated on developing independent economic/public policy institutes in the Balkans, most recently in Montenegro. The Institute for Market Economics (IME) in Bulgaria and the Albanian Center for Economic Research (ACER) have already been created and work is beginning to establish a similar institute in Montenegro. In Bulgaria, competitors to IME have now developed. With a modest overhead cost, similar activities across the region can be maintained, enhanced and begun anew, if necessary.

The grantee also plays a key role in fostering cross border communication in the region on pertinent subjects such as pension reform, financial markets and informal sector reform. Communication is enhanced by 3-E-Net, an alliance of 200 economists in eleven countries of central and Eastern Europe. These economists are affiliated with seventeen independent, market-oriented economic research institutes, composed of many of the most prominent and respected free market analysts in their countries. These institutes are linked together to share information and analysis on public policy issues. In many countries in the region this is one of the few sources for such activities. Such activities assist USAID in fostering the concept of regionalization of certain economic reform activities, such as regional capital markets.

Expected Results This activity promotes advocacy work in the region that promotes the open and free discussion of issues relevant to economic reform. These institutes, for example, may provide the forum for a debate on pension reform in a country where the press is still controlled by the government.

Indicator The institutes need to be conduits of public education and public policy in the area of economic reform. Publication of results of grantee-funded experts travelling to the region, conferences held on specific subjects, for disseminated knowledge of the precepts of economic reform is the ultimate goal of the program.

Results to date The first two think tanks developed by the contractor are now self-sufficient. Bulgaria and Romania. Additionally, institutes are operational in Albania and now Montenegro. Papers, surveys, pamphlets have been distributed and interviews have been held with officials from various institutes on subjects such as pension and social security reform, deposit insurance, foreign trade liberalization, financial market reform. A seminar was held in Belgrade "Challenges and Opportunities for the Economic Transition in Yugoslavia." Attendees came from around the region, including 50 people from Montenegro. The knowledge and contacts of these organizations may be useful for activities with the Front Line States (FLS).

Resource Request FY 00 CEE \$50,000
FY 01 CEE \$50,000

National Securities Clearing Corporation (Continuing Activity)

Objective The NSCC program provides short-term technical assistance for the review and assessment of clearance and settlement systems, including hardware and software needs and capabilities as well as institutional capacity, to ensure that the capital markets in which PER works are developed up to international standards. There currently exists a strong pipeline of resources within this activity budget. It is expected that the resources for FY 2000 will not be necessary but that FY 2001 resources may be required.

The program is designed to allow for short-term assistance largely in the design and evaluation phases of projects. Because this is structured as a master contract, we can send NSCC personnel to CEE and NIS countries as needed, with maximum oversight and coordination. The NSCC contract is not intended to replace Omnibus II or SEGIR longer-term projects, but rather as an adjunct to fill short term needs.

Using this master contract significantly reduces the processing that would otherwise exist. The alternative would be a series of separate project agreements or IAAs for each country program. At the same time, the Missions retain decision-making authority. USAID's in-country staff are part of the decision-making process. They have travel authorization power over proposed technical and advisory work performed by the NSCC.

overseas. Lastly, the NSCC gives unbiased, objective advice. NSCC's advice is not motivated by profit or creation of long-term projects as solutions to problems.

Coverage This is an assessment/design arrangement whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis.

Expected Results Fully functioning depository, clearance and settlement facilities where USAID is involved in capital markets projects.

Indicator Securities depositories with adequate safeguards in place in countries where AID provides capital markets assistance in this area.

Results to date During the past year, risk/policy reviews and infrastructure assessments were conducted in Ukraine, Romania, Bulgaria, Lithuania and Latvia.

<u>Resource Request</u>	FY 00	CEE	\$0
		NIS	\$0
	FY 01	CEE	\$50,000
		NIS	\$50,000

Partners for Financial Stability (New Activity)

Objective While CEE countries have made significant progress in establishing basic institutions and legal frameworks and in building human capacity, they have not yet fully developed sound financial systems that can withstand financial shocks and support broad-based economic growth. The PFS program will provide short-term technical assistance and training to fill gaps in the financial sectors of the targeted countries. It will address discrete problems facing the financial systems of the CEE countries, problems that do not require USAID in-country presence in order to be resolved. PFS will focus on preventive action, but will allow for crisis response. The program will provide assistance or training directly to individual countries or on a regional basis, including east-east, cross-border efforts. Areas of assistance and training will include, but are not limited to, bank supervision, problem bank resolution, securities regulation, capital markets institutional development, and pension reform. The program will support the continuation of partnerships with U.S. government agencies, non-governmental organizations, and private sector experts that have provided successful technical assistance and training throughout the region and have credibility with host country counterparts. A key element of the program will be cost sharing with client institutions and implementing partners, with USAID's share of the costs declining over time so that the program would eventually provide fully reimbursable assistance and training.

Coverage The PFS activity would be carried out in Central and Eastern European (CEE) countries where USAID's presence has ended or will end in the next few years. The USAID mission in Estonia closed in September 1996, the missions in the Czech

Republic and Slovenia closed in September 1997, and missions in several other CEE countries, including Latvia, Lithuania, Hungary and Slovakia are scheduled to close in the next few years

Expected Results The program will result in strengthened financial institutions that meet international standards necessary to function and compete in a global economy. In particular, PFS assistance will strengthen bank and capital markets regulatory institutions, commercial banks, capital markets institutions (e.g., stock exchanges, depositories, share registries), and pension institutions. This assistance will help to improve standards for the disclosure of timely and accurate information about financial institutions, thereby resulting in better risk management techniques, greater capital in the financial institutions, and increased domestic and foreign investment flows into these countries. These efforts should reduce the volatility of financial markets in the region. In addition, this program will support regional linkages important to these countries' economic integration.

Resource Request FY00 CEE \$3,000,000
FY01 CEE \$3,000,000

IAA with the Federal Deposit Insurance Agency (FDIC) (New Activity)

Objective To have a rapid, flexible response mechanism in place to provide FDIC liquidation experts to countries experiencing serious banking problems which have decided to liquidate large state-owned and/or private banks.

This need for this type of mechanism is becoming increasingly clear as (1) banking crises proliferate, and (2) the IMF and the World Bank have begun to require as part of their loan conditionality that bankrupt state-owned banks be liquidated under aggressive timetables. In the past, most of the countries in the region rejected bank liquidation in favor of restructuring and recapitalization and ultimately privatization. However, in many countries, this strategy has failed to produce viable banks and led to unsustainable fiscal costs.

The liquidation process takes technical expertise and many human resources. Once a decision is made to liquidate, it must be done quickly, carefully and transparently. The ability to tap the FDIC through an IAA will allow us to get us some of the best liquidation expertise quickly when it is needed.

Coverage

--This covers both presence and non-presence countries and may be used initially to a large extent in the Front Line States. Regional funds obligated would serve as core funding to ensure that FDIC experts could be on their way quickly to deal with a crisis. Through a buy-in as needed, country or Partner for Financial Stability funds would be expected to cover the full costs of such experts.

--This is a crisis response mechanism whose flexibility and rapid response capability would be impaired if budgeted on a country-specific basis
--This program is intended to extend US-country relationships and reinforce sustainability beyond closure of USAID posts

Expected Results During FY2000, we expect that there might be 4 to 5 requests to use the core funds

Resource Request Since the regional funding component would only be used as core funds to get an activity started and would be reimbursed by bilateral/PFS funds, we do not expect to need to obligate regional funds after FY00

FY00	CEE	\$50,000
	NIS	\$50,000

Y2K Safety Net (New Activity)

Objective To maintain an emergency capability for Y2K technical assistance for ENI Missions requiring rapid and focussed information technology assistance related to this issue. This mechanism will enable us to meet short-term crisis on the Y2-K issue while simultaneously directing the recipients of the assistance towards more knowledgeable and better-funded sources of expertise in this area

A central component of ENI/PER's and other donors' financial markets activities (both banking and capital markets) has been the creation of computerized financial, trading, and record-keeping systems. The installation of technology plays a significant part of our assistance. USAID's total expenditure for computer based financial systems across the ENI Bureau is estimated at over \$50 million. Thus the continued success of these projects requires a "safety net" against unexpected Y2K problems.

Although most ENI government agencies and private financial institutions believe that their systems are Y2K compliant, most of them base this assumption on a very superficial evaluation of their software/hardware. A thorough testing program can identify problems which otherwise would not be uncovered until they are encountered in the course of conducting business. A "safety net" facility can catch those missed in earlier tests. The disruption of financial markets due to uncorrected Y2K factors will result in significant financial loss to government and business and could lead to economic instability.

Tasks

- A Through existing contracting mechanisms, provide rapid-response advisory and information technology assistance to respond to ENI Mission emergencies for Y2K assistance. This assistance may be directed to any capital markets or banking institution requiring emergency technical assistance in this area.
- B Work with public/private counterparts in the financial markets of the CEE and NIS countries seeking assistance in dealing with Y2K crises. This covers both presence

and non-presence countries and is expected to provide initial, emergency assistance until such time as bilateral funds can be mobilized to address country-specific problems

- C Provide guidance in designing/testing protocols for evaluating their systems for Y2K compliance to prevent crises and/or taking corrective actions for after a crisis

Coverage ENI countries in CEE and the NIS

Expected Results First, a rapid response advisory and technical assistance mechanism to provide IT TA to the field for Y2K emergencies for USAID-assisted financial sector activities arise. This program is intended to extend US-country relationships and reinforce sustainability beyond closure of USAID posts. The result is expected to be 5-10 USAID-funded institutions which will avert financial collapse. Second, an IT capability to cross-fertilize best practices of hardware and software development for capital markets infrastructure development across the regions.

<u>Resource Request</u>	FY00	CEE	\$100,000
		NIS	\$100,000
	FY01	CEE	\$100,000
		NIS	\$100,000

Southeastern European Initiative (SEI)(new activity)

Objective To fund Task Orders to support the Southeast European Initiative (SEI) and the Front Line States (FLS) by providing 1) drafting and delivery of technical presentations, and 2) technical advice and consultation to the Department of State, SEI, member nations, SEI Committees in Washington, D C and on-site. The overall goal is to promote regional harmonization of financial markets laws, rules and regulations and capital markets infrastructure. This support towards regional harmonization in financial markets will serve as a precursor to economic integration and European Union membership for the FLS that are eligible.

This will be implemented through buy-ins to one or more of the Agency's existing IQCs Omnibus II, SEGIR, or Banking Supervision and Fiscal among others. USAID and our SEI development partners will co-design the scopes of work.

Coverage The SEI participating states include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Hungary, Moldova, Romania, Slovenia, The former Yugoslav Republic of Macedonia, and Turkey.

Tasks/Expected Results

- A Development of common definitions and a clear understanding of terms that will be referenced in the analysis of structure with upcoming Technology and Infrastructure Technical Committee draft reports.

- B Promotion in SEI fora of current trends in the Exchange Environments related to interconnection of Exchanges in the World Promotion of the reasons for inter-related relations among exchanges related to globalization of markets, requirements for cross-border investments and the need for harmonization in the financial world The advocacy of co-operation in order to reduce high transaction cost and expensive technological investments—to the degree appropriate Research Assistance at SEI Committees related to comparisons among exchange size, automation levels, technical structure and geographical positions Contributions in technical assistance drafting aimed at consensus building on the concepts that will be the base for technological infrastructure
- C Review of issues in meetings as underlying technological concepts on trading environments with presentations These issues include Fairness, Reliability, Integrity, Flexibility, Availability, Scalability and Security This may include USAID experience in establishing Web Sites for static information and communication
- D Promotion in SEI fora of current trends in the Exchange Environments related to interconnection of Exchanges in the World Promotion of the reasons for inter-related relations among exchanges related to globalization of markets, requirements for cross-border investments and the need for harmonization in the financial world The advocacy of co-operation in order to reduce high transaction cost and expensive technological investments—to the degree appropriate
- E Provide technical support in common issues to establish a technical base structure for Cross Listing (CL), Cross Trading, and Common Trading Platform (CTP)

Resource Request FY 00 CEE \$100,000
 FY 01 CEE \$100,000

Corporate Leader Partnerships for Sustainability (New Activity)

Objective To partner financial market institution experts for USAID/ENI/NIS Mission consultations on sustainability issues This activity would tap experts from institutions such as the Brookings Institution, NASDAQ, the New York Stock Exchange, Sister City associations, the Investment Companies Institute (ICI), law firms, and USAID IQCs and other financial institutions and organizations for short-term partnering assignments to NIS countries on sustainability of capital markets institutions The NIS-US partners would create their own partnership contacts that would sustain USAID-relationships with host countries

Many of the NIS securities market institutions are seeking private sector counterparts to provide advisory work on specific issues for financial and institutional sustainability Now that USAID is phasing down capital markets successes in the NIS in countries such as Moldova, Ukraine, and Russia, and the Central Asian Republics, it would be a goodwill gesture by the USG to provide the ultimate partnership contacts that will continue following departure of ENI funded consultants, after the millennium

Tasks

Research and develop a white paper on business plans for sustainability issues of trading systems, self-regulatory organizations for broker/dealers, registrars, depositories, depository institutions, share registrars including issues relating to auditing and risk assessments

Coverage NIS capital markets institutions that have been created with USG assistance that will phase out in 2000 (Russia, Ukraine, Moldova, Central Asian Republics)

Expected Results A sustained relationship of private sector contacts with NIS leadership that will outlast USAID assistance to NIS capital markets institutions

Resource Request FY00 NIS \$100,000

USAID Capital Market Software Suite (new activity)

Objective First, bring together and archive all the capital market software which USAID has developed in the ENI region, including registry software, depository software, clearance and settlement software, and stock market trading systems. Second, USAID should evaluate and assemble together the best components of existing systems into a re-usable, well-documented USAID Capital Market Software Suite. The outcome would be a software suite capable of providing basic capital market computing support for any capital market project worldwide. This software would include the best current USAID developed OTC trading system, the best USAID developed depository and clearing software, the best USAID developed regulator software, etc.

USAID has already spend significant sums in the development of these systems, but they are not currently available to USAID for our re-use in other countries or other regions because the software packages are not physically located in Washington, their existence has not been recorded in a central information clearinghouse, and the software itself has not been evaluated or well documented. A regional project is required in order to procure the services of an Information Professional to bring together the disparate capital market software programs and put them into a form and format which will allow them to be used by other countries and other international organizations. By doing so we would further support U S foreign policy interests in establishing a more competitive and market responsive private financial sector in the former Soviet Union.

Tasks

- A Archive all capital market systems that were developed by USAID in the ENI bureau
- B Evaluate the effectiveness of each of these systems
- C Determine which systems are best from each function area, i e , trading, clearing, settlement, etc
- D Revise the software, if necessary, to make it easier to use
- E Create excellent software documentation, if none exists, which would allow the system to be adopted and used by USAID Missions as well as other worldwide

- F Establish a demo center within USAID to showcase and demonstrate USAID Capital Markets systems This should be done using the existing network of USAID trained staff which run existing USAID Capital Market software
- G Integrate the best components of each activity area (i e trading, clearance, etc) into single USAID Capital Market Software suite which exhibit the best practices among the software USAID has developed
- H Prepare a technical template for use of CTOs who write Capital Market Task orders which provide USAID with stronger, more informed language which would provide USAID with the ability to better manage capital market software development projects
- I Develop a protocol for ongoing modifications to an integrated software suite This protocol will allow changes made on any future use of the software to be propagated to all users of the software

Coverage ENI countries in CEE and the NIS

Expected Results A re-usable suite of capital market software which would prevent USAID's need to develop each market's trading infrastructure from scratch, and a protocol which would prevent contractors from developing software which is not documented, and not re-usable in other markets

Resource Request	FY00	CEE	\$100,000
	FY00	NIS	\$100,000
	FY01	CEE	\$100,000
	FY01	NIS	\$100,000

Financial Markets Best Practices (New Activity)

Objective To research on capital markets and banking successes, determine lessons learned and best practices to the degree possible, and disseminate the information to the wider development community

Tasks

Through buy-ins to existing research mechanisms or through other instruments, research what USAID has done in the financial sector and determine whether lessons learned or best practices can be gleaned Share this information with the wider development community through available dissemination vehicles, including, but not limited to web pages, mailings, or Agency vehicles (e g , CDIE) Entities that could benefit from this information include USAID's field Missions and their counterparts, USAID/Washington decision makers, technical specialists, researchers, project designers, evaluators, and implementers USAID contractors and grantees, USAID-funded private voluntary organizations (PVOs), institutions and individuals in developing countries, international and national organizations and institutions active in development and development research, firms and businesses interested in private sector opportunities in developing countries, and the general public with interests in development

Coverage CEE and NIS countries

Expected Results USAID experience in the financial sector, including capital markets, researched and disseminated to the wider development community

Resource Request FY00 CEE \$50,000
NIS \$50,000
FY01 CEE \$50,000
NIS \$50,000

Personal Services Contractors (PSC)/Administrative Support

Personal Services Contractor (PSC) positions are currently funded under POT 1 4 These are regional capital markets and banking advisors in ENI/PER's Capital Markets and Banking Division In addition, funding is requested for the institutional contractor providing specialized support to three POTs that are resident in ENI/PER

Resource Request FY 00 CEE \$ 1,372,000
NIS \$1,190,000
FY 01 CEE \$1,190,000
NIS \$1,220,000

ENI/PER
R4 FY 2000/2001 Submission

	FY 1999			FY 2000 Request	FY 2001 Request
	FY 95 No Year	FY 98 C/O	FY 99 NOA		
90 1.4 A more competitive and market-responsive private financial sector 14					
110-0005 Private Sector Initiatives					
SEC			200 000	200 000	200 000
Y2K Safety Net				100 000	100 000
Corporate Leadership Partner				100 000	0
USAID Capital Markets Software Suite				100 000	100 000
Financial Markets Best Practices			0	50 000	50 000
PSC'S Travel & Misc	58 559	13 252	272 500	545 000	340 837
Administration (including Institutional Contractor)			72 500	108 792	111 385
				50 000	50 000
110-0009 Economic Restructuring & Financial Reform					
East West Institute			0	75 000	75 000
Reg Bank Regulatory Initiative			100 000	100 000	250 000
Financial Sector Diagnostics			100 000	100 000	100 000
Int'l Assoc of Banker Training			100 000	120 000	100 000
FSVC			0	25 000	25 000
NSCC			100 000	0	50 000
FDIC			0	50 000	0
PSC'S Travel & Misc		251 557	172 421	425 000	653 000
Administration (including Institutional Contractor)			82 579	108 792	111 385
180-0014 Privatization & Enterprise Restructuring					
East West Institute			75 000	75 000	75 000
Reg Bank Regulatory Initiative			125 000	200 000	250 000
Financial Sector Diagnostics			100 000	100 000	200 000
Int'l Assoc of Banker Training			0	100 000	100 000
SEC			350 000	400 000	400 000
Chesapeake Associates			25 000	50 000	50 000
NSCC			100 000	0	50 000
Partnership for Financial Stability			0	3 000 000	3 000 000
FDIC			0	50 000	0
Y2K Safety Net			0	100 000	100 000
SFI			0	00 000	100 000
USAID Capital Markets Software Suite				100 000	100 000
Financial Markets Best Practices			0	50 000	50 000
PSC'S Travel & Misc		247 793	297 584	600 000	578 500
Administration (including Institutional Contractor)				108 792	111 385
180-0026 Competition Policies					
PSC'S Travel & Misc		24 984	287 690	325 000	189 875
Administration (including Institutional Contractor)			72 500	108 792	111 385
180-0027 Business Services					
FSVC			75 000	100 000	100 000
PSC'S Travel & Misc			81 555	120 000	88 225
Administration (including Institutional Contractor)			72 421	108 792	111 385

bjbjt++
REGIONAL R4 SUBMISSION FY2001

STRATEGIC OBJECTIVE 1.5

A More Economically Sound and Environmentally
Sustainable Energy System

May 3, 1999

I Review of SOI 5 Framework and Current Regional Program

As presented in the POT 1.5 Stock-Taking Assessment Report, the overall framework for SO 1.5 consists of five elements

- (1) Adoption of Rational Energy Prices and Sound National Energy Policies,
- (2) Improved Energy Efficiency and Reduced Emission in Industry, Buildings and Power/Heat Systems,
- (3) Restructured, Commercialized and Privatized Energy Sub-sectors,
- (4) Increased Safety of Soviet-Designed Nuclear Reactors,
- (5) Expanded Regional and International Energy Trade and Integration of Energy System with Western Europe and International Energy Markets

Attachment A contains the summary table from this assessment report

Energy is a truly regional SO due to the technical, economic, and environmental nature of large, integrated energy systems. The trend in these systems is toward both increased integration and expanded competition on a national, regional and global scale. We propose to continue support in three areas:

specific mechanisms that promote physical and economic integration, i.e. regional power pools

institutional networks that share development experience, complement bilateral technical assistance programs, and contribute to Global Climate Change objectives, i.e. association of energy regulatory commissions and the energy efficiency business network, programs that reinforce sustainability beyond closure of USAID posts, i.e. CEE Electricity

Management Development Institute

II Results Review

The following assesses progress toward achieving three specific results (1) regional power pools (2) competitive, privatized power markets, (3) increased private investment in energy efficiency

(1) Regional Power Pools are Established

TARGET 2000 establish Two regional power pools,

BACKGROUND Three regional power pools are under development in the ENI region one in the Baltics, one in the CENTREL countries (Poland, Hungary, Czech Republic, and Slovak Republic), and one among the five Central Asian Republics The ENI Regional Program is funding the first two and the CAR program the third Regional cooperation in electricity is in the early stages of development in the Southern Tier and the Caucasus and is hampered by the war in Kosovo and the relationship between Armenia and Azerbaijan

PROGRESS

In the Baltics, Electrotek Concepts assisted a Baltic Working Group in completing a least-cost investment study for the region that examined investment options and implications for the region under different closure scenarios for the Lithuanian Ignalina Nuclear Power Plant The major achievement will be a critical input to the negotiations of the EU and G-7 with Lithuania on the closure of Ignalina This issue has taken on critical importance due to the predictions of early gap closure for Ignalina Unit# 1 and the requirement under Lithuania's agreement with the Nuclear Safety Account to close when gap closure occurs A second Baltic Working Group is examining joint operations and management issues During the year, Electrotek provided advice and computer programs to examine transmission operation and pricing issues that are basic to regional power pool development and to the relationship of the Baltic countries to the Russian system, as well as to each other Further training and analysis is planned with existing funds A proposal has been put forward by Latvia for a Regional Power Exchange and the three nations are meeting at various levels (Ministerial, Regulatory, and Utility) to discuss this concept and the potential for Third Party Access A key element of this discussion related to security and diversification of supply and the implications of planned interconnections with Finland and the Nordel Pool and Centrel and UCPTE

The Centrel countries were formally admitted to the UCPTE system on January 1, 1999 Bechtel completed its workshops on regulatory issues in regional power pool operation Electrotek continued to work on issues related to the economics of pool operation and third party access Pricing and cost/benefit analysis is underway and simulation of regional pool operation is planned for this year

In the Southern Tier, efforts were underway, prior to the war in Kosovo, to strengthen the interconnections in the region and consider requirements for UCPTE membership

EEUD/El and Electrotek participated in the SECI Electricity Interconnections work group. This group developed terms of reference for a number of detailed feasibility studies on physical interconnections. The former Yugoslavia and Greece were members of UCPTE. With the war in Bosnia, transmission links were severed and have not been restored. Because of the central, historical role of Yugoslavia in the so-called SUDEL system, the outcome of the Kosovo conflict will have a major bearing on the approach to transmission system development in the region. Electrotek has prepared a paper on the situation prior to the conflict and potential technical assistance areas for USAID consideration.

The Central Asian Republics have made steady progress in regional electricity cooperation. Hagler-Bailly assisted in the development of a regional draft agreement on Parallel Operations and Frequency Regulation for the five countries. The draft agreement has been submitted to the Presidents of the five countries for approval. A series of energy trade seminars and study tours were conducted to familiarize the Regional Dispatch Center and electricity sector policy makers from each of the five republics with international standards for electricity pricing and contracting. The five Prime Ministers signed a separate agreement on Regional Energy and Water Exchanges that includes provisions to strengthen the hydroelectricity sector and ultimately reduce reliance on coal-fired plants.

Caucasus A concept paper and draft scope of work has been prepared to initiate a regional electricity trading program, using resources from the Georgia and Armenia programs. EBRD has expressed an interest in possibly financing Azeri participation in a regional program. Recently, Azeri officials indicated that they were not ready to discuss this issue at a senior level. It may be possible however at the technical level. It would seem desirable to begin with an incremental program focusing on existing bilateral electricity trading relationships (e.g. Georgia-Armenia, Georgia-Turkey, Georgia-Azerbaijan).

(2) Privatized, Competitive Power Markets

TARGET The revised target is the creation of an electricity regulatory and power market institutional framework that promotes competition and private investment.

BACKGROUND The POT 1.5 assessment report analyzes the progress of individual countries in moving from monopolistic, state-owned systems to privatized, decentralized ones. Substantial progress has been made in establishing separate energy regulatory agencies or commissions. Such regulatory bodies now exist in thirteen ENI countries. While privatization has occurred in Hungary, Kazakhstan, Czech Republic, Russia, Ukraine, and recently Georgia, new privatization programs are underway in Estonia, Latvia, Romania, Moldova, Armenia and Kyrgyzstan. To complement our bilateral programs and ensure that the lessons and techniques from these experiences are exchanged and the benefits from completed \$40 million Utility Partnership Program are sustained, USAID is financing through the Regional 1.5 program two major initiatives that were approved last year: Regional Regulatory Network/Association and the CEE Electricity Management Development Institute.

PROGRESS

Regional Regulatory Network/Association

In the first year of the Network, the CEE/NIS regulatory organizations with support from US experts established a licensing committee and developed a superb set of technical papers with immediate applicability to the regulators tasks. USAID concluded a 3-year cooperative agreement with the National Association of Regulatory Utility Commissioners to support the regional cooperation, NARUC and the 90 participants at the 2nd Regional Energy Regulatory Conference developed a Regional Work Plan, including development of technical committees, a Steering Committee on formation of the regional association, US technical study tours, newsletter, regional web-site and development of commission web sites, regional seminars and annual conference. Four USAID missions (Ukraine, Moldova, Georgia and Armenia) have supported the network by financing some of the travel/per diem of participants in the committee meetings and other/further mission support and even direct-buyins is expected.

CEE Electricity Management Development Institute

With the formal closure of the Utility Partnership Program at the September 1998 World Energy Congress, USAID entered into a new cooperative agreement with the U S Energy Association for the development of a CEE Electricity Management Development Institute that will represent a "legacy" mechanism. USAID will contribute an estimated 20% of the costs of the Institute over three-four years. After that, the Institute will be self-sustaining.

Since the signing of the Agreement in September, USEA has solicited and received proposals for courses from all the counterpart CEE utilities and some regulatory and academic organizations. A list of these courses, which address key topics in the three focus areas of Power Market Operation, Finance and Investment, Energy Efficiency and Environment, is attached. In proposing these courses, the host utilities agree to finance the in-country costs of the course and of the participating US or foreign experts. USEA is now matching courses with interested US companies which will finance course preparation and presentation. Over 30 US companies are interested and some, e.g. Southern Companies, Enron, have already committed to specific courses. It is hoped that the first course will be offered by June 1999.

USEA introduced key issues related to the future development of the Institute and its governance/financing at the first meeting of the Program Committee, held at CEZ headquarters in Prague in February. It was agreed that by the Fall, members would be prepared to discuss these issues and come to some decisions.

(3) Private Investment in Energy Efficiency

TARGET The target is to have in place 20 private performance contracts for energy efficiency investment by 2000

BACKGROUND Energy efficiency is critical to increasing the competitiveness and economic and social development of CEE and NIS economies, given the large current waste, the substantial costs of energy imports, the environmental impacts of large use of coal and lignite, and the diversion of budgetary resources from critical social investments to pay for energy services and fuel. USAID is working with industry to promote private energy efficiency trade/investment in the region. Energy efficiency is one of the principal areas supporting Global Climate Change objectives. The principal mechanisms are two cooperative agreements with the Alliance to Save Energy, the Association of Energy Engineers and a contract with Electrotek that is implementing a SECI energy efficiency project.

PROGRESS The number of energy efficiency projects in the CEE region financed by private sources rather than grants, is increasing. Many of these are being implemented by energy services companies using energy performance contracting. Some examples include:

- In the Czech Republic, over 500 projects have been financed through the EBRD/EU energy efficiency loan fund
- In the Czech Republic, 30,000 heat and power units have been reconstructed with boiler and emission controls to meet pollution limits
- Dalkia is operating ESCOs (with EBRD cofinancing) in Romania, Hungary, Czech Republic and Slovak Republic. In total Dalkia manages 243 district heat companies. In Hungary, 250 energy performance contracts are in place valued at II 5 million Euros
- OTP Bank in Hungary has undertaken 13 municipal energy efficiency loan projects. OTP set up an ESCO with Oko-Lux/Energovill for public lighting. OTP set up an ESCO with Honeywell in November 1998 (with EBRD, IFC, and Budapest City Gasworks) to specialize in eating system upgrades
- EBRD is now funding 9 ESCOS, including Lithuania in addition to Hungary and Poland. Four-five other ESCO agreements are expected to be signed soon, extending to Romania, Bulgaria and Slovenia
- IFC has several programs to promote small business development in energy efficiency and renewables, including investment in Poland, Hungary, Latvia and the Czech Republic
- Honeywell has developed a Technology Center in Prague that develops software for use in energy systems in Czech Republic, Hungary and Poland. The energy efficiency centers in Czech Republic, Poland and Bulgaria are now self-sufficient and involved in industrial and municipal energy projects

The Alliance to Save Energy

The Alliance to Save Energy undertook a variety of activities aimed at promoting favorable policies and energy efficiency trade and investment. The Alliance facilitated a model energy efficiency improvement project at the Marriott hotel in Budapest, in conjunction with the US Chamber of Commerce and the US Foreign Commercial Service to serve as a regional example within the hotel services industry. The Alliance participated in a Romanian parliamentary hearing promoting the proposed energy efficiency law. Institutional strengthening support was provided to NGOs in Poland and Romania to network municipal energy officials, providing guidance on implementing energy efficiency projects. An Energy Efficiency Business Council is being established in Hungary. An interactive web site and list-server were established, addressing businesses, municipalities and NGOs by providing information about the economic, environmental, and other benefits of energy efficiency, and providing local contracts for direct services.

Association of Energy Engineers

AEE made progress in strengthening and expanding its chapters in Bulgaria(2), Hungary, Poland(2), Romania(2), Armenia, Georgia, Russia and Ukraine. Chapter development guidance resulted in each chapter developing multi-year business plans. Two new chapters were established in Poland and a chapter in Russia. All chapters participated in train-the-trainer workshops to enable the chapters to provide Certified Energy Managers courses and certification within their countries. Virtual chapter meetings have been held bimonthly.

Electrotek (SECI Demonstration Project)

With funding from the SECI Coordinator, a demonstration project is being undertaken in Romania to develop a commercial financing package for energy efficiency improvements in district heating systems and schools in Constansa. The Prime Minister of Romania has appointed a National Energy Efficiency Task force to address obstacles to developing the project and State/SECI has organized a financial advisory committee involving the EBRD, World Bank, Romanian banks, and other international banks. Electrotek is currently undertaking the feasibility work. Project feasibility work has also been undertaken on a smaller set of municipal projects in the Hungarian city of Pecs which is being considered for commercial financing by Hungarian sources.

III Proposed Funding for FY2001

ONGOING PROGRAMS

Baltic Regional Power Pool. Additional funding of \$200 K in FY2000 and \$200K in FY2001 from SEED funds is requested to assist the Baltic Working Group #2 on generation scheduling and dispatch and market (power exchange) design. This work will

build on the previous work on transmission pricing and power pool organization and address such issues as the benefits of a regional dispatch function, the pricing of generation related ancillary services such as spinning and regulatory reserves, reactive generation, and emergency support. This work is needed to help establish the value of generation assets. In addition, training in energy market operation, including simulation of various markets will be carried out to help establish the rules of the market. Assistance in the development of a regional power market is a critical component of an overall package to support the hoped-for Lithuania decision to close Ignalina Unit #1 and supports the US Northeast Europe Institute(NEI)

Southern Tier The Bureau is requested to reconsider the request for \$100K in FY99 and an additional \$200K is requested in FY2000 and FY2001 to support cooperation among the countries of the Southern Tier, and particularly the front-line states on transmission planning and economic operation of the regional electricity grid in the aftermath of the war with Kosovo. This is a minimum request. The needs with respect to feasibility studies and potential reconstruction and strengthening of regional transmission links are currently being considered.

Regional Regulatory Network/Association An additional \$700K (\$300K SEED and \$400K FSA) is needed in both FY2000 and FY2001 to fully fund the cooperative agreement with the National Association of Utility Regulatory Commissioners and to carry out the full work plan. Missions are anticipated to provide an additional \$125K in buy-ins each year. Below is a detailed breakout of the requirements.

- Annual Regulatory Conferences 90K
- Three Tariff Committee Meetings 220K
- Two License/Market Meetings 70K
- One Study Tour 45K
- Two Steering Committee Meetings 30K
- Newsletter 20K
- Web Site Support 5K
- Information/Communications 18K
- Regulatory Association 9K
- Project Management 318K

Total 825K

CEE Electricity Management Development Institute An additional \$400K in FY2001 in addition to the \$300K in FY2000 is needed to fully fund the cooperative agreement with USEA. We have stretched out the funding for a fourth year in order to live within the tight budget.

Alliance to Save Energy Further to the anticipated re-obligation allocation for ENI's Global Climate Change, an additional \$500K in FY2000 (\$150K in SEED and \$350K in FSA) and \$500K in FY2001 (same breakout) is proposed to promote US industry involvement in Joint Implementation and Emission Reduction Programs. These funds

would use the existing Alliance network of energy efficiency centers (Poland, Czech, Bulgaria, Russia and Ukraine) and business councils to address issues related to priority investments and projects for least-cost emissions reduction and the policy changes needed to achieve such investments

NEW INITIATIVE

ENI Regional Association of Oil and Gas Regulatory Institutions

Purpose To advance the development and technical competence of Oil and Gas Regulatory Institutions in East and Central Europe and the New Independent States through development of a Regional Association of Oil and Gas Regulatory Institutions

Background USAID has supported in both CEE and NIS the development of laws and regulations, environmental and otherwise, governing oil and gas development and transportation. A critical component of this activity has involved working with the relevant governments in first creating and then developing the capacity of institutions to develop and enforce such laws and regulations

With USAID assistance, regulatory bodies governing oil and gas have been formed in Romania and Hungary, and are in various stages of formation in Kazakhstan, Turkmenistan and Georgia. Although USAID has had less or no involvement in their creation, regulatory bodies also exist in Poland and Bulgaria. The institutions in all 7 of these countries face similar issues and there has been strong interest on the part of the regulators in a number of these institutions to meet with counterparts so as to share experiences. There is also the possibility of linking these regulators with counterparts in the United States.

In the United States, regulation of oil and gas is primarily accomplished at the State level. Under the auspices of the Interstate Oil and Gas Compact Commission, State regulators in the United States come together to share information and advance the technical competence of the individual State regulatory institutions. The IOGCC has formed an international program and is desirous of working with counterparts in the CEE and NIS. A link between the IOGCC and the ENI Regional Association of Oil and Gas Regulatory Institutions could serve two useful purposes. First, the IOGCC possesses a wealth of information concerning the regulation of oil and gas that it is willing to share with regulatory institutions in the oil and gas producing countries of the CEE and NIS. Second, the IOGCC can serve as a model for the development of the ENI Regional Association of Oil and Gas Regulatory Institutions.

This activity is regional in character as it meets the established criteria. It is geographically cross-border, inappropriate for inclusion in country R4s and subject to oversight of an ENI/W office. It is (a) a program whose success depends upon concurrent action and cooperation by two or more countries, (b) consists of workshops, information networks, and institutional support for cross-border sharing of experience, and (c) extends U.S.-country/regional relations and reinforces sustainability beyond

closure of USAID posts

Current Status Although regulatory institutions are operational in Hungary and Romania, they are just being formed in Turkmenistan and Georgia and still in the process of development in Kazakhstan. While USAID has sponsored workshops and study tours that have brought together regulators from Turkmenistan and Kazakhstan, it has not taken any significant steps toward creation of a regional association. It has received a proposal from the IOGCC, however, to, among other things, put on a conference in Fall 1999 which would bring together regulatory institutions within the regions and to begin a process to develop such a regional organization.

Northern Tier Participation The involvement of Hungary and Poland are deemed essential to this network, given that Hungary serves as clear model of successful, independent regulatory development and Poland is a key climate change country in which the regulatory framework is critical for management of coal bed methane resources as well as oil and gas.

Regional Rationale The creation of competent and functioning regulatory institutions to oversee oil and gas development in countries possessing such resources is crucial to both attracting foreign investment to these countries and ensuring that development takes place in a safe and environmentally responsible manner. These countries are facing the same challenges and the same issues. The experiences of some are likely to be extremely useful to others. Additionally based on the U.S. experience with the IOGCC, such a regional organization will also help ensure that the institutions maintain the highest levels of technical competence. With such counterpart contact, it is much more likely that the institutions will stay on the cutting edge of technology in the creation of rules, regulations and standards governing the oil and gas industry.

U.S. Comparative Advantage USAID is uniquely suited to pursue this program because of its work with a number of the oil and gas regulatory institutions in the CEE and NIS. It is a natural follow-on to our work developing legal and regulatory capacity in many of these countries. USAID's experience in developing the electricity regulatory association will also be valuable in pursuing this objectives.

Nature of Program Activities Preliminary planning contemplates an annual program consisting of a set of regional meetings and activities integrated with the establishment and development of a formal regional organization. The activities under consideration include a preliminary organizational meeting or workshop, subsequent formal organizational conference, regional workshops on regulatory and government energy resource management, development of environmental guidelines, and, regional publications on oil and gas regulatory program management.

Implementation Mechanisms A new Cooperative Agreement with the IOGCC. As the IOGCC is an organization of States, it is considered a State organization.

Program Costs/Duration This is a relatively low cost, high pay-off activity supportive of

key regional objectives The estimated regional costs are on the order of \$400,000 per year for CEE and NIS combined (\$100,000 CEE and \$300,000 NIS) with some costs and additional country-specific but related activities supported by Mission programs USAID support for the Association is expect to last three to five years

Management and Monitoring POT 1 5 (EEUDEI staff) will manage Field monitoring functions will be assigned if and when appropriate

IV Post-Presence Status

Last year's R4 presented a list of countries in which each activity would be functioning The Baltic Power Pool, Regional Regulatory Network, and CEE Electricity Management Development Institute, Alliance to Save Energy and Association of Energy Engineers activities all involve participation of graduated or close-out countries Post-presence memos have been prepared with OIM assistance for these activities They will be finalized shortly and sent to ENI Senior Management in the near future

V Resource Request

See proposed budget spreadsheet below

IV Resources Request

REGIONAL R4 SUBMISSION FOR FY2001 STRATEGIC OBJECTIVE 1 5 -- ENERGY

CENTRAL AND EASTERN EUROPE

	ToDate	Left	FY99	FY2000	FY2001
<u>Regional Power Pools</u>					
Baltics	2072	497	200	200	200
CENTREL	856	234	0		
S Tier	100	0	100	200	200
CAR					
Caucasus					
<u>Competitive, Privatized Power Markets</u>					
Regulator Network	309	250	200	300	300
Electricity Institute	500	375	300	300	400
<u>Energy Efficiency/Global Climate Change</u>					
AllianceSaveEnergy	750	550	0	150	150
Assoc of Energy Eng	200	100			
SECI Electrotek	250	106	?	?	?
<u>Oil and Gas Dev/Pipelines</u>					
Partnership with IOGCC				100	
PSCs/RSSAs/Travel			325	300	300
<u>TOTAL</u>		<u>0</u>	<u>1125</u>	<u>1450</u>	<u>1650</u>

NEW INDEPENDENT STATES

	ToDate	Left	FY99	FY2000	FY2001
mission funded					
potential mission funding					
			200	400	400
				350	350
	147	0			
					300
			300	400	400
			<u>500</u>	<u>1150</u>	<u>1450</u>

ENI REGIONAL R4

FY 2001

POT 1.6 Results Review/Resource
Request

A Results Review

Program Progress

The POT 1 6 team has been shifting focus over the last year from one of Washington-based project management and programmatic control to one of service/TA provided to missions. As management and authority have been shifting out to the Missions, Washington-based staff have been focusing their attention and effort on providing the backstopping and strategic input required to make up the shortfall between Mission responsibilities and staff allotted to carry out these responsibilities.

POT 1 6 has also attempted to fill in those perceived gaps in environmental needs with targeted regional initiatives funded with SO 1 6 regional funds. Two projects were proposed last year but were shelved pending future funding. One initiative is newly proposed this year. These will be described below.

In terms of regionally funded programs, there is currently only one regional project proposed last year that was activated and on which POT 1 6 can report. The EcoLinks program, ENI's regional environmental partnership was successfully operationalized in FY99. Originally entitled the Environmental Partnership Program (EPP), the program has been renamed "EcoLinks - Eurasian American Partnership for Environmentally Sustainable Economies" to provide association of the program with the concept that environmental and economic goals are complementary.

Contribution to Achieving Graduation Criteria

The following paragraphs provide a summary of FY99 accomplishments under each component.

- 1 Partnership Grants Program put into place an organizational structure and initiated the grants program. Specifically
 - Country Program Officers were hired and offices are operating in Croatia, Bulgaria, Romania, and Macedonia. Offices are currently being set up in Ukraine, Kazakhstan, and Russia Far East.
 - First cycle of Challenge Grants were announced on March 9, 1999. Over 350 Project Concepts received by the deadline, April 16 in the areas of cleaner production, environmental management systems, and global climate.

change Full applications are due on May 14 and a maximum of 40 grants will be awarded

- Workshops on the Challenge Grant application process were conducted in Bulgaria, Croatia, Macedonia, and Romania
- Twenty-one Quick Response Awards have been awarded to date to provide travel assistance to help potential partners to meet
- Twinning/Trilateral Grants will be added in 2000

2 The Technical Transfer Program was successfully launched with completion of the following

- A 632(b) interagency agreement between USAID and the Department of Commerce was completed
- The US and Foreign Commercial Service began recruitment of Environmental Technology Representatives in Poland, Hungary, the Czech Republic, Romania, and Kazakhstan The representatives will be onboard by the end of May '1999, and a training/orientation program in Budapest will be conducted in June 1999
- The Global Technology Network hired a full-time environmental trade adviser for CEE/NIS and brought a US business manager onboard to encourage greater US environmental business involvement in CEE/NIS
- EcoLinks staff has participated in a number of state environmental trade missions and major US environmental conferences to enlist US business involvement in CEE/NIS
- EcoLinks staff has developed strong working relationships with other USG trade and investment agencies, including OPIC, TDA, and EXIM Bank and is participating with TDA in a major regional environmental trade conference in CEE in fall 1999

3 The Information Technology Initiative

- The EcoLinks website was designed and implemented Since going online in February 1999, the website has received several thousand hits
- A search engine strategy was initiated to help ensure that information users in the US and the ENI region will readily reach the EcoLinks site when they conduct information searches through the major commercial search engines

- With the support of the Global Bureau, EcoLinks launched a needs assessment in the ENI region to identify the kinds of information that environmental managers at the enterprise and municipal levels need, where they currently go to obtain information, and what information sources that are currently available to meet these needs. The results of this assessment, to be completed in September 1999, will guide the design of EcoLinks' information strategy.

Progress Determination

POT 1.6 has determined overall progress in both EcoLinks and the overall staff support goals to have exceeded expectations.

Actions to Correct Problems of Underperformance

POT 1.6 has tried to fill in perceived gaps in "performance" by proposing initiative to cover those areas where Mission programming fell short, in order to meet graduation criteria under all SO 1.6 IRs.

These initiatives include a policy initiative, which was shelved last year until sufficient funds were available, and is again being proposed in order to address the unfinished policy agenda. POT 1.6 recognizes that there is an opportunity to capitalize on the resources and knowledge now available in Central and Eastern Europe to help address remaining gaps. This initiative will work to resolve remaining deficiencies in some countries' legal and regulatory frameworks and in the capacity of some countries' government institutions to implement and enforce environmental laws and regulations as well as finance environmental investments. The primary intent will be to "roll-out" the experience gained during the life of previous policy projects and transplant success stories, primarily to southern tier and NIS countries.

The second shelved project, which received reobligated first year funding and this year second and final funding is the GGERI project, which will provide assistance to establish the enabling environment for Joint Implementation and will prepare a pool of suitable projects. This initiative will complement the Bureau's other USG programs by jumpstarting the process of Joint Implementation and increasing financing available for environmental investments.

A new proposed project will address the very real and increasing concerns of environmental security. This new SO 1.6 Results Package will provide a common thread to a series of ongoing, planned and proposed activities, each related to environmental security. From the mountains of central Asia to the villages of Kosovo the need for environmental security in the ENI region has never been clearer. Environmental security uses common environmental concerns to forge consensus among estranged nations, a valuable result alone. Ideally, building consensus leads to fairer, more efficient resource management and allocation which lowers the potential for resource scarcity and the conflicts that can result. At the least environmental security can employ proven measures to build confidence and security among nations in a region where resource conflicts are possible or likely.

Prospects for Progress

We anticipate the demand for the three components of EcoLinks will continue to expand through the budget request year of FY 2001. Further, the POT 1.6 portion of the ENI Bureau's Global Climate Change Initiative will have met their goals while assisting the ENI Bureau to meet the Presidential commitment to address global climate change issues in the region. The Regional Environmental Policy Network will transfer the knowledge and experience already developed in the region and link policymakers and environmental economists across borders. The Greenhouse Gas Emissions Reduction Initiative will provide assistance to establish the enabling environment to provide a cost-effective means of achieving emissions reductions. The Environmental Security activity will address environmental issues where resource conflicts may occur.

Throughout the budget request year, the members of the POT 1.6 will continue to provide technical support and direction to the ENI Bureau, in general, and to the Missions of the ENI Bureau, in particular. Specifically, once the Kosovo conflict comes to a close, the environment and natural resources staff in AID/Washington stands ready to offer its expertise to take a lead for the Bureau in determining the environmental and natural resource situation and its potential impact on the resettlement and redevelopment needs.

B New Program Descriptions and Performance Measures

EcoLinks Regional Environmental Partnership

Program Description and Funding Rationale

EcoLinks was established to promote market based solutions to environmental problems in the ENI region. To achieve this goal, the program plays a catalytic role in advancing partnerships among businesses, trade and professional associations, and local governments in the ENI region and the US.

EcoLinks has three interrelated components:

- The Partnership Grants Program, managed under a USAID cooperative agreement by the Institute of International Education in partnership with the Regional Environment Center for Central and Eastern Europe. This program has offices in Croatia, Bulgaria, Romania, and Macedonia with offices currently being set up in Ukraine, Kazakhstan, and Russia Far East. Twinning/Trilateral Grants will be added in the year 2000.
- The Technical Transfer Program, a partnership of the ENI Bureau, the Global Bureau's Global Technology Network, and the Department of Commerce, is directed to accelerating environmental investment and trade in the ENI region through expanded application of US environmental technology and experience. The US and Foreign Commercial Service is placing Environmental Technology Representatives in Poland, Hungary, the Czech Republic, Romania, and Kazakhstan.
- The Information Technology Initiative is directed to enhancing the use of the Internet as a tool for providing information on environmental best practices to environmental managers at the local and enterprise levels in CEE. The EcoLinks website was designed and implemented in the first year of operation. Since going online in February 1999, the Web site has received several thousand hits.

Results

The EcoLinks Program achieves results under three main IRs, with associated illustrative indicators.

- (1) IR 1 6 2 Increased environmental trade, finance and investment

Possible indicators

- A genuine market for environment goods and services is established and growing
 - Increase in environmental investments
 - Increase in private financing options located and leveraged to meet the demand for environmental investments
- (2) IR 1 6 3 (a) Best practices adopted by industrial and public sectors
- Increase in establishment of environmental management systems
- (3) Increased institutional ability to identify and remedy environmental problems
- Increase in the number and influence of environmental managers within industry and municipalities engaged in partnerships

Specifically, in the area of technologies and best practices (IRs 2,3 and 4), the Eurasian-American Partnership for Sustainable Economies (EcoLinks) will stimulate partnerships, assisting in promotion of technology transfer and the harnessing of market forces to spur sustainable environmental management and best practices in all sectors of the economy. Funding, implementing and financing solutions through EcoLinks will be accomplished by building partnerships that transfer know-how and clean technologies through cooperation among cities, institutions and enterprises. These activities will help to further build capacity and financial linkages between partners, ultimately enabling the CEE and NIS countries to begin managing their environment sectors without further USAID assistance.

Environmental Security in the ENI Region

Program Description and Funding Rationale

A new SO 1 6 Results Package is proposed to provide a common thread to a series of ongoing, planned and proposed activities, each related to environmental security. From the mountains of central Asia to the villages of Kosovo the need for environmental security in the ENI region has never been clearer. Environmental security uses common environmental

concerns to forge consensus among estranged nations, a valuable result alone. Ideally, building consensus leads to fairer, more efficient resource management and allocation which lowers the potential for resource scarcity and the conflicts that can result. At the least environmental security can employ proven measures to build confidence and security among nations in a region where resource conflicts are possible or likely.

USAID proposes a three-year initiative, beginning in FY00, in cooperation with the Department of Defense Partnership for Peace (PFP) and related programs to work in six parts of the ENI region on programs to promote environmental security. This initiative would begin with a foundation of ongoing USAID activities in Central Asia, the Caspian and the Danube River, especially our contacts with environmental ministries and NGOs. Existing PFP activities which would contribute to this program include the PFP Information Management System (PIMS) environmental information program with the six Black Sea littoral nations, as well as the ongoing PIMS programs with each of the PFP's 23 nations in CEE and NIS. USAID would bring to this cooperative program its resources devoted to ongoing environmental management programs in the above areas and its expertise in national development. The Partnership for Peace would bring its resources available for environmental security programs with the expertise in the type of confidence and security building measures first developed in the arms control field.

Further, this results package would be coordinated with DOE's ongoing energy and environmental security initiative (EESI), which is conducted under a Memorandum of Understanding between DOE, DOD and EPA. EESI includes six programs, four of which are conducted in ENI Region: the Black Sea Energy and Environmental Security Initiative, the Baltics Joint Action Plan, the Balkan Regional Cooperation Initiative, and Cooperation with Russia on Nuclear Waste and Spent Fuel. Further discussions with those responsible for EESI will be needed, however the Black Sea and Balkan programs have particular relevance for this initiative.

The six areas in which the PFP Information Management Program has expressed strong interest in cooperating with USAID would involve activities:

- In Central Asia on power and water sharing based on the upstream nations' water resources and the downstream nations' energy resources

- In the Caspian Sea and Caucasus on environmental aspects of oil and gas development and transportation in light of biodiversity and other environmental concerns
- In the Black Sea on Oil Spill Contingency Planning and international conventions, building on the ongoing PFP Information Management Systems program there
- In the Caucasus on basin management for the Araks/Kura River basin to balance numerous competing uses of the basin's resources
- In the Balkans on environmental impacts of the Kosovo conflict both in the conflict areas and in surrounding nations, particularly looking at environmental safety and remediation issues along the Sava and Danube Rivers
- In the Danube River and nearby basins on NATO's Southeast European Cooperative Initiative to address waterway recovery and environmental spending needed to assist the Central European nations in reaching their EU accession goals

Regional Environmental Policy Network Proposal – FY00

Program Description and Funding Rationale

Sustainable economic growth requires establishment of competitive markets and institutions that protect against market abuses. An open, balanced approach toward formulation and implementation of environmental policy is critically important, given a half-century of environmental abuse and centralized decision making. Such an approach recognizes the important contributions of environmental services to human health and welfare. It also recognizes that human and material resources are limited, that it is important to prioritize and rationalize environmental protection, and that markets provide both information that helps make better environmental policy choices and instruments for implementing these choices.

The Central and Eastern European Environmental Policy Project (C4EP), which came to an end in September 1998, and sister projects in Russia and the Central Asian Republics have conveyed this message throughout their tenure. This was accomplished through a combination of policy advising, practical education, and institution building. The success of these activities was dependent upon host country recognition that the effectiveness of such policy advice is contingent upon the concurrent development of market economies, openness

in the policy making process, and a commitment to more informed policy making under a market economy

A significant investment has been made in the training of individuals and the development of environmental institutions in the ENI region, and important lessons have been learned in the process. However, there remains an unfinished policy agenda. There remain gaps in the legal and regulatory frameworks in some countries and in the capacity of government institutions to implement and enforce environmental laws and regulations as well as finance environmental investments. With this in mind, POT 1.6 recognizes that there is an opportunity to capitalize on the resources and knowledge now available in Central and Eastern Europe to help address the deficiencies that remain in the region. The primary intent will be to "roll-out" the experience gained during the life of previous policy projects and transplant success stories, primarily to southern tier and NIS countries.

The **objectives** of POT 1.6's follow-on policy activities are

- Transfer the knowledge and experience already developed in the region among graduating countries to countries now receptive by making use of local institutions and human resources that have benefited from previous USAID investments,
- link policymakers and environmental economists by building a network across borders in the region

Activities

- Build linkages among policymakers in the region through the use of conferences, working groups, Internet, and NGOs. In particular, there may be a significant opportunity to reinforce the networking begun through the C4EP project and the Policy Advisor Working Groups now established in the CEE, though other institutions will be evaluated and recruited,
- provide technical assistance to support the strengthening of the environmental funds and other more innovative private financing mechanisms, and public-private partnerships,
- establish partnerships between local governments and U.S. counterparts to provide models for implementing national level environmental policies at the municipal level,

- provide additional training, using CEE/NIS and/or trainers from outside the region who have lived through changes in their own countries and understand the unique regional issues,
- organize regional "internships" to develop hands-on skills,
- capitalize on the extensive training alumni network

Greenhouse Gas Emissions Reduction Initiative (GGERI)

Program Description and Funding Rationale

At the United Nations Special Session on Environment in June 1997, President Clinton announced that the U S intends to provide \$1 billion in assistance to developing nations and countries with economies in transition to reduce climate change threats. In support of this commitment, USAID's Climate Change Initiative places a high priority on assisting countries to identify opportunities for cost effective reductions in emissions of greenhouse gases. Joint Implementation (JI) provides a cost effective means of achieving emissions reductions. In JI projects, an entity of one country partially meets its commitment to reduce greenhouse gas (GHG) emission levels by undertaking emission reductions or mitigation projects in another country.

To jumpstart the process of Joint Implementation and increase financing available for environmental investments, USAID/ENI/EEST/ENR will initiate a pilot project in cooperation with and in support of other USG programs. The GGERI project will provide assistance to establish the enabling environment for Joint Implementation and will prepare a pool of suitable projects. Projects will be designed to qualify as "Joint Implementation" (JI) under the Framework Convention on Climate Change and receive certification by the United States Initiative on Joint Implementation (USIJI) Evaluation Panel. GGERI will establish an indigenous institution and develop capabilities to identify eligible projects, quantify offsets, officially qualify projects for investment on behalf of the host country government, establish a system of monitoring and serve as a liaison to market projects to potential investors. A JI Project Registry will be established to track JI credits against the country's overall emissions budget.

The existing institutional arrangements for environmental management are fairly similar throughout the ENI region,

however, institutional roles and cooperation need to be established and formalized for regulating climate change issues such as Joint Implementation. Similarly, procedures need to be developed to enable countries to participate effectively in the United Nations Framework Convention on Climate Change. The objective of this project is to develop a system for managing Joint Implementation projects which can be adapted and replicated throughout the region.

During the first year, the project will serve as a pilot for establishing the institutional infrastructure and systems to manage Joint Implementation projects. It is anticipated that the project will be expanded to other countries during the second year, and lessons learned will be shared with other US agencies and international donors.

Poland, Russia, Ukraine, and CAR are targeted for participation in the program. It is expected that the project will begin in FY99 in Kazakhstan. The budget will be used primarily for expatriate and local salaries, plus international and regional travel. The program will draw heavily on regional expertise and be managed from Washington. The project will most likely be funded through a buy-in to the new Energy IQC in Global Bureau or a similar vehicle.

Desired Results.

The primary mission of the project is to stimulate JI activities funded by US investors. JI projects directly result in Increased Environmental Trade, Finance and Investment, IR 2 (SO 1.6).

Example Indicator

- Number of projects financed and implemented through joint implementation

The Agency's Climate Change Initiative Performance Monitoring Plan (PMP) provides clear and explicit guidance for establishing indicators and baseline data for tracking results. The GCC component of this activity would support GCC Result 1: Increased Participation in the Framework Convention on Climate Change.

Example Indicators

- Institutionalization of national capacity to assess and respond to climate change impacts at the economic, social, and political level,

- the establishment of an official JI Registry containing information on the number of JI projects implemented,
- establishment of an officially endorsed database of eligible JI projects available to investors,
- enabling regulations enacted,
- establishment of procedures for receiving, evaluating, and approving JI proposals,
- lessons learned report submitted to the Intergovernmental Panel on Climate Change, the United States Initiative on Joint Implementation Evaluation Panel and other relevant bodies

GCC Result 3 Decreased net greenhouse gas emissions from the energy sector, industry and urban areas

Example Indicators

- Emissions of carbon dioxide equivalents avoided due to USAID assistance,
- institutional capacity increased, due to USAID assistance, which leads to reductions in greenhouse gas emissions or increases in energy efficiency

C Programs in Graduation/Closeout Countries

Two activities funded by POT 1 6 regional funds have been approved for post-presence implementation in closeout countries EcoLinks and the Global Environmental Facility (GEF) Danube

EcoLinks - The EcoLinks program has three components the EcoLinks Partnership Grants Program, the EcoLinks Technology Transfer activity implemented through an agreement between USAID and the US Department of Commerce, and the EcoLinks Information Technology program

With the January 11, 1999 signature of an Action Memorandum from the Acting Assistant Administrator for the Bureau for Europe and the New Independent States to the Acting Assistant Administrator of the Bureau for Management, the EcoLinks Technology Transfer component was approved for post-presence implementation in the Czech Republic, Hungary and Poland The endpoint of this approval was set as September 30, 2002

In the Recommendation of the same action memorandum, the following language was included, "As additional countries are considered for post-presence participation, the program manager will seek approval of AA/ENI and will inform AA/PPC and AA/M " POT 1 6 is preparing the documentation necessary to facilitate the EcoLinks Partnership Grants Program to other closeout/graduated countries of the Northern Tier The decision to seek such approval came as a result of an extremely positive response from Northern Tier countries to a pilot request for grant proposals earlier this year

The Global Environmental Facility (GEF) Danube - The GEF Danube program was designed to address the Danube River and tributaries of the Danube in three USAID-assisted countries Slovakia, Hungary and Romania The termination date for the GEF Danube is September 18, 2000 The Hungarian portion of the program is now nearing completion The GEF Danube program was included in the Closeout Memorandum for Hungary and is listed in Hungary's final R2 covering FY 1998 and FY 1999

1 6 Improve Capacity for Environmental Management to Promote Sustainable Economic Growth

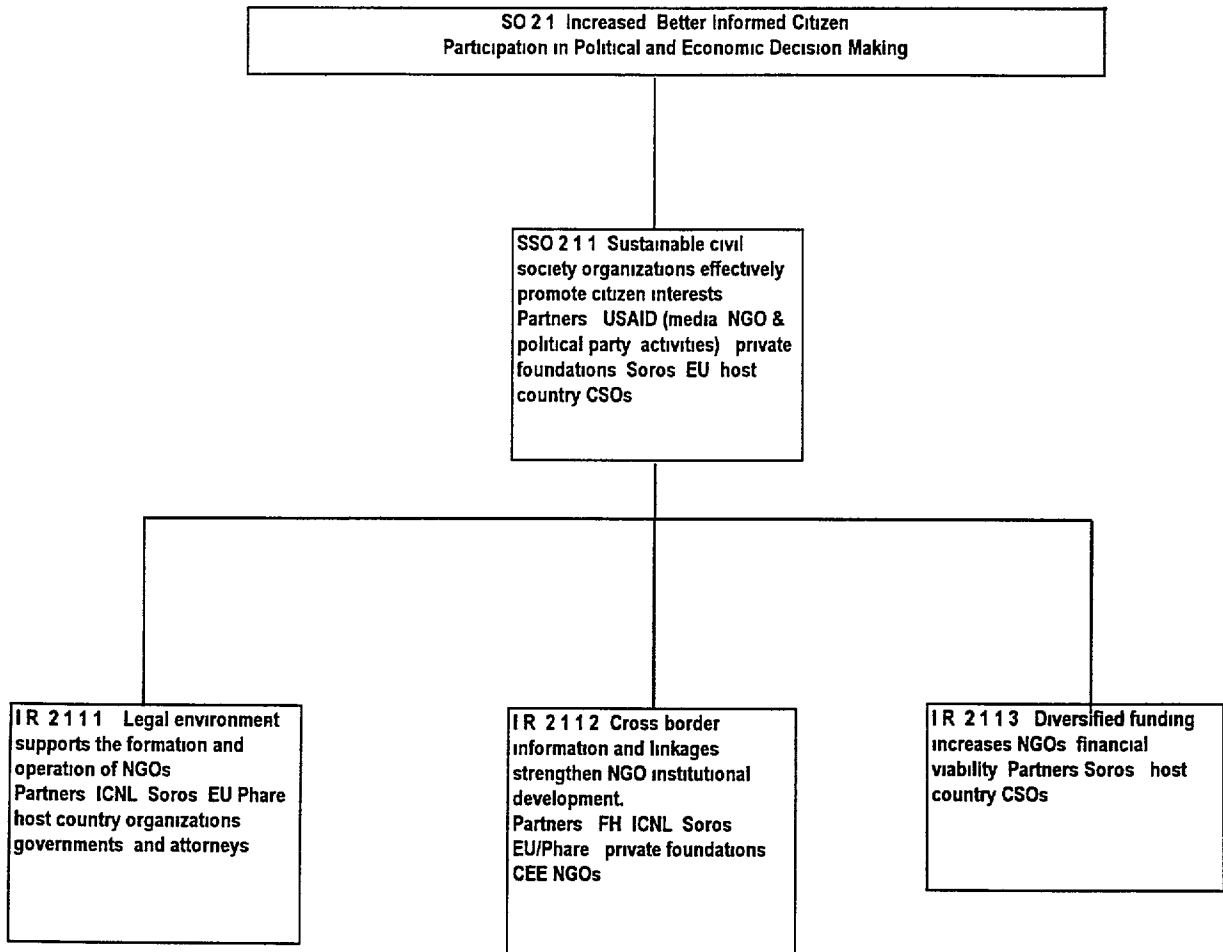
		Initial FY of Funding	Cummulative Obligations	FY 1999				FY 2000 Est.	FY 2001 Request	Remarks
				FY 95 CO	FY 98 CO	FY 99 NOA	TOTAL			
180-0004 - Environmental Initiatives										
Admin	Project Managers 7 PSCs			25 000	342 158	45 000	412 158	410 621	443 580	
Admin	Nat Resources Spec 2 RSSAs			40 000	20 000	140 000	200 000	140 400	151 632	
Admin	PSC Travel & Misc Expenses			55 915	99 841	24 085	179 841	135 000	143 000	
	Public Awareness (DevTech)	1998	589 611			200 000	200 000	385 905	394 621	
TOTAL				120 915	461 999	409 085	991 999	1 071 926	1 132 833	
180-0039 - Improved Public Sector Environmental Services										
PD&S										
	Global Climate Change	1999 *	* 1st year funding through re-obligated funds				0	462 000	N/A	
	Environmental Policy Activity	1999 *					0	350 000	350 000	
	Environment Security	2000					0	300 000	600 000	
	216 Training						0	50 000	50 000	
Partnership Program										
	EcoLinks (Grants Program)	1998	2 030 000			2 300 000	2,300,000	2 407 232	2 378 796	
	Global Technology Network	1998	275 000			200 000	200,000	87 500	200 000	
	Info System & Best Practices WEB	1998	125 000		175 000		175,000	200 000	200 000	
	Technology Transfer	1998	600 000			300 000	300,000	195 000	195 000	
TOTAL					175 000	2 800 000	2,975,000	4 051 732	3 973 796	

2000-2001 Results Review and Resource Request
ENI Regional Programs, SO 2.1
May 1999

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I Results Framework



II RESULTS REVIEW ENI PROGRAMS, SO 2 1

A Overview of SSO 2 1 1 "Sustainable civil society organizations effectively promote citizen interests "

Individual country R4s track progress in the achievement of many of the Bureau's civil society activities, including the Professional Media Project (ProMedia), election administration through the International Foundation for Election systems (IFES), and political party development through the International Republican Institute (IRI) and the National Democratic Institute (NDI)

DG/CSM manages two "truly regional" Democracy Network activities that contribute specifically to the development of the NGO sector within this larger mix of civil society organizations. These activities are 1) the NGO legal environment strengthening initiative implemented by the International Center for Not-for-Profit Law (ICNL), and 2) the regional networking program for NGOs, implemented by Freedom House (FH). These activities complement the Democracy Network's NGO strengthening programs in eleven countries in Central and Eastern Europe (CEE), and are specifically targeted towards achieving the strategic support objective of promoting sustainable civil society organizations capable of contributing meaningfully to the public policy debate across CEE.

Transregional activities, which create a bridge between CEE and NIS initiatives, are becoming an increasingly important part of the Regional program portfolio. Over the past year, Freedom House has expanded its CEE civil society networking activities to include Ukraine and now plans to include Belarus. The Professional Media Program is also building linkages among professional journalists in CEE with those in NIS countries. We believe that transregional information networks and experience sharing is critical to the future sustained efforts at civil society building in the region.

USAID and private sector donors together are developing mechanisms for continuing Regional activities in post-presence countries. In the Baltics, this will be the Baltic-American Partnership Fund (BAPF) and across CEE this will be the Trust for Civil Society in Central and Eastern Europe (the Trust). Both of these programs are designed to enhance the sustainability of the institutions of civil society which are crucial to a healthy democracy and market oriented economy. The BAPF and the Trust will continue to support all three IRs for SSO 2 1 1.

Specifically, the Trust will seek to support civic initiatives undertaken by local NGOs, to encourage and promote indigenous philanthropy and public support of local NGOs, to build cross-border and regional links to promote civil society and share lessons across borders, to enhance the legal, policy, and attitudinal environments needed for the development of a strong civic life and public-private partnership, and to contribute to the financial security of a limited number of qualified, indigenous NGOs through seeding endowments. The Trust will support NGOs across several sectors, including democracy, economic reform, and social safety net. See Annex 1 for a justification for the Trust.

The overall goal of the BAPF is to help stabilize democracy and market orientation in the Baltic Republics. The BAPF has three types of program activities to support NGO capacity: legal and tax reform, institutional development, and financial assistance. The BAPF will focus on strengthening a limited number of NGOs at a stage where their development is obstructed by inexperience in advocacy, fund-raising, and other emergent aspects of private sector, non-profit activity. It is intended to help these NGOs strengthen their own internal operations and advocate for needed legal and regulatory changes in the countries where they operate. The BAPF may target assistance to NGOs that are active in specific sectors in order to maximize the impact of its assistance upon the NGO sector in general and the issues most critical for society at large. These sector specific areas may include minority integration, social safety net, small and medium sized business associations/market reform, gender issues and equality, and civic participation/rule of law.

B SO 2 1 1 Results to Date

At the outset of the Democracy Network program, the NGO sectors in CEE and the NIS were in a nascent stage of development, with an unsupportive legal environment, limited indigenous capacity and limited information exchange among groups. As detailed below, the ICNL and Freedom House programs, have contributed not only to the numeric growth of sustainable NGOs per se, but also to their ability to effect change at the local and national level in the CEE. In the NIS, as bilateral programs have contributed to country progress to date, we have not been measuring "results" in this region. Nonetheless, as future program development will include an increasingly transregional

component we will begin to include selected countries in our results review

In 1997, as a means to measure the progress of the NGO sector in ENI at the macro level, ENI developed the NGO Sustainability Index. This Index examines the NGO sector across CEE and the NIS through five "lenses"—legal environment, organizational capacity, financial viability, advocacy, and public image. Initially, ENI based our targets upon the NGO sector in each country attaining a rating of two or better on the Index's seven point scale, signifying that "the environment is enabling and the **local NGO** community demonstrates a commitment to pursuing needed reforms and to developing its professionalism (Foreign assistance continues to accelerate or facilitate these developments)." A rating of one describes an NGO sector that recognizes "which reforms or developments are still needed and has a plan and the ability to pursue them itself."

C POT Performance Rating for SO 2 1 1 and Expected Results Through 2001

Progress has largely met expectations

For SSO 2 1 1, the target for 1998 was that five (5) countries have an NGO Index score of 2 or better. Actual results show that while five countries are currently in "Stage III" of NGO development, indicating a score between 3 - 1, only three of these countries have a score of 2 or better. While we did not technically meet our target, it is important to note that the NGO Index methodology has become more refined over the past year. As such, the scores are not directly comparable to those of last year. Given likely continued refinements in the index, we recommend changing this indicator to **Countries in Stage III of Development** rather than countries with a specific score of 2.

In addition, as described below, progress has been made many of the related IRs, which indicates that we have met our expectations overall. The Baltic American Partnership Fund, the CEE Trust, as well as new activities described below, will contribute to this SSO.

As long as economic conditions continue to improve in the region, we expect that all Northern Tier countries in CEE will reach Stage III, with a rating of 2 or higher by FY 2001. Southern tier expectations are more problematic, as the current conflict in Kosovo will shape the future development of civil

society in both the FRY and the front line states. Nonetheless, we believe that forward progress will continue in this region, and that with the exception of the FRY, all will be in the mid-to upper range of Stage II of the sustainability index by FY 2001.

In the NIS, increased transregional programming will support information and exchange with civil society groups in the CEE and those in Ukraine and Belarus -- the two target countries for Freedom House's NGO networking activities and ProMedia's independent media activities. Currently, Ukraine has an NGO Index score of "4" and Belarus has a score of "5," placing both countries in low end of Stage II. In Ukraine, while the biggest constraints to civil society are a restrictive legal environment and contracting economy, we believe that increased transregional contact will strengthen the core competencies of NGOs. As such we predict slow but steady progress within Stage II for Ukraine through the year 2001. For Belarus, the current repressive regime will result in far slower improvements of civil society at the macro level, but person-to-person exchanges will contribute to a broader public understanding of the role of civil society as well as improved NGO competency. Accordingly, Belarus also has the potential for incremental forward progress through the year 2001.

IR 2 1 1 1 -- "The legal environment effectively supports the creation and operation of NGOs "

1 Results to Date

At the inception of USAID's assistance in this area through the Democracy Network Regional agreement with ICNL, the legal framework for NGOs in all DemNet countries was at Stage I, indicating little progress in the development of a supportive legal environment in 77% of the DemNet countries, while 23% of the countries were at Stage Two. At present, and beyond our expectations, none of the original 11 countries remain in Stage I, 64% have progressed to Stage II, and 36% have progressed to Stage III--the highest level of development¹. While a quick glance at the tables show that all countries have remained in the same stage of development for the past year, several countries, including Macedonia and Estonia, have moved forward within Stage II and Stage III.

¹ The original DemNet countries are Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia.

It should be noted that in late 1997 and early 1998, ICNL initiated work in Bosnia, Croatia, and Serbia, all of which remain in Stage I. In order to maintain a consistent method of judging IR progress, these countries are tracked separately, so as not to downwardly skew the percentages.

Illustrative examples of the impact of ICNL's work over the past year include

- In June 1998, the Macedonian Law on Associations and Foundations was enacted. With ICNL's assistance, NGO representatives, government officials, academics, interested citizens, and international experts worked together on drafting this law. The drafters circulated the proposed law to almost all active NGOs in the country, organized roundtable discussions, and embarked on a media campaign to publicize the legislative initiative. The law is the most progressive NGO law in the former Yugoslavia and is being used as a model in other countries in the region.
- In Albania, the draft Law on Non-Governmental Organizations was presented to the Council of Ministers in April 1999. The government has made enactment of the draft one of its highest priorities in order to put in place an appropriate legal framework for NGO activity during this time of crisis. The draft law is the result of extensive cooperation between NGOs and the government, including the first-ever-public hearing on a draft law. This is a particularly significant accomplishment considering that President Berisha originally proposed NGO law reform in order to control NGO activity.
- In Montenegro, ICNL provided technical assistance to the Ministry of Justice and the NGO sector on a draft Law on Associations and Foundations. Compared to the original draft, the final draft shows a significant improvement. The draft is the first item on the Parliament's agenda, although the situation is unsettled considering current circumstances.

ICNL's work has a continuing impact on countries that have closed. Based on ICNL's earlier work, in the spring of 1998, the Estonian Parliament passed an amendment to the Income Tax Law, which allows individuals to make tax-deductible contributions to public benefit NGOs.

ICNL has also actively promoted NGO law reform initiatives in Latvia, Lithuania, Poland, Slovakia, Croatia, Romania and Bosnia-Herzegovina, among other countries in the region, and continues to work on implementation issues, educational initiatives, NGO-government partnerships, capacity-building projects, and other law reform activities in the region

2 POT Performance Rating and Expected Progress through 2001
USAID's contribution to this IR through ICNL has **largely met expectations** to date, both in country progress and in overall programmatic results

Over the next three years, ICNL will continue to improve the NGO legal environment across CEE by providing technical assistance to NGOs, government officials, and lawyers involved in legislative drafting, ensuring that laws are properly administered through implementation projects, and developing in-country capacity on NGO legal issues. ICNL's primary focus will be on status laws, tax laws, and laws governing NGO-local government relationships. As the Southern Tier is generally less well developed than the Northern tier, it has become ICNL's primary geographic focus. In the Northern Tier, the BAPF and the CEE Trust by 2001 will start to contribute to improving the legal environment.

We expect continued gradual progress under this IR through FYs 1999, 2000, and 2001. We anticipate that by 2001, of the original DemNet countries, 3 of 7 will move forward within Stage II (Albania, Macedonia, and Romania), and the Stage III countries (Czech Republic, Estonia, Hungary, and Poland) will remain stable. For two of the three most recent additions to the ICNL portfolio we expect more rapid progress: Bosnia to move from Stage I to Stage II by FY 1999, and for Croatia to move into Stage II by FY 2000. Serbia's progress greatly depends upon the outcome of the current conflict in Kosovo.

2 IR 2 1 1 2 -- "Cross-border information and linkages strengthen NGO development "

Results to date DG/CSM contributes to the achievement of this IR through both regional Democracy Network activities. In the cross-border activities noted in the Performance Indicators, i.e., "cooperative relationships and information sources enhance skills and organizational capacity," FH's initial NGO survey results indicate that nearly 70% of respondent NGOs reported having a cooperative relationship with a partner NGO in another country. Of this group, 8% were members of international or

cross-border networks. Most cross-border relationships were with western countries (41%) whereas 28% named CEE or NIS countries. Many had relationships with both Western and ENI countries. In addition, of this group, 52% found their partnerships to have benefited them either greatly or significantly. The greatest benefits cited were learning, professional development, and gaining experience.

ICNL's activities promote cross-border information sharing and linkages as well. ICNL continues to increase the capacity of its Budapest office to serve as a Regional NGO Resource Center that will become an independent organization after ICNL closeout. A Yugoslav and a Bulgarian lawyer have been added to the office staff, who serve as legal specialists to both their home country and in the region. The Budapest office enables ICNL to facilitate information exchange and communications networks throughout the region that have strengthened local capacity.

POT Performance Rating and Expected Progress Overall, we believe that that performance has largely met expectations. Freedom House's baseline Regional NGO survey will enable us to more accurately measure program progress in upcoming years. Nonetheless, quarterly reporting mechanisms have provided sufficient data to determine that FH's activity has facilitated numerous cross-border relationships between NGOs, meeting our expectations. In the area of NGO legal reform, ICNL has exceeded its target of 12 networking opportunities with a final count of 17 over the past year.

Both the Freedom House and ICNL Regional programs will continue through 2001. We expect a continued growth of regional and transregional networking and exchange opportunities fostered by these initiatives, with the result being a more sustainable information network established in the region. It should be noted that these activities are considered critical elements of the ENI/DG NGO sustainability strategy post DemNet and post USAID in the GEE, and in particular in the Northern Tier, where NGO support activities such as DemNet will end by 2000. In the Northern Tier, the BAPF and the Trust will continue with many of FH's initiatives related to cross-border exchanges.

3 IR 2 1 1 3 -- "Fund and revenue raising activities from local and international sources increase NGOs' financial viability."

Results to Date The Freedom House NGO survey has provided ENI/DG with a baseline measure of the degree to which NGOs have

diversified their funding sources. Two questions were asked on operating budgets, to assess the percentage of private contributions in this year's and last year's budgets. Not surprisingly, the responses varied from 0% to 100% within almost every country. Twenty-one percent of respondent NGOs reported receiving more than 75% of their operating income from private sources, whereas forty percent reported receiving less than 10% from such sources. It is notable that the largest proportion of NGOs received a small income (i.e. less than 10% of their total operating budget) from private contributions. Finally, there were no overall changes from one year to the next, and it was not possible to detect any particular pattern in either increases or decreases in private funding. Next year's data collection will enable us to make a more direct conclusion about the impact of our attempts regionally to impact NGO's ability to diversify their funding.

POT Performance Rating and Expected Progress In addition to the regional data collected above, many country-specific R4s address the issue of financial viability of NGOs, and as missions close out we expect issues of financial viability to be picked up by the BAPF and the Trust. We expect to see a continued progression of fewer NGOs which rely solely on international donors for funding, but rather diversify their income through revenue raising activities and indigenous donors.

III Post-Presence Issues

Both ICNL and Freedom House include closed-out countries in their regional activities, but closely abide by country closeout plans. In the case of ICNL, close-out country citizens are still eligible to participate in regionally-funded exchanges and training. FH will continue to employ regional exchanges and grants to non-closeout NGOs to allow them to benefit from information exchanges and projects with organizations no longer eligible for direct USAID assistance. However, Freedom House will exclude NGOs in closed out countries from direct assistance, i.e. grants, US internships, and AVID volunteers.

IV New Program Descriptions

A The Trust for Civil Society in Central and Eastern Europe

As introduced above, and justified in Annex 1, the purpose of the Trust is to enhance the sustainability of civil society institutions which are crucial to a healthy democracy and market-oriented economy in USAID closeout countries. The funds and technical expertise that the Trust will bring to the region will enable the U S to maintain a presence in this very important region.

B Investigative Journalism

New cross-border, regionally-funded, media activities during FY98 and FY99 are focused upon supporting and developing investigative journalists in the ENI region. These activities will include a Regional workshop, US and CEE/NIS exchanges for leading investigative reporters, and will compete awards to individuals and organizations dedicated to improving their investigative reporting. No targets or indicators have been developed for this activity, but the overall goal of this regional anti-corruption initiative falls within the current SO 2 1 framework.

C Initiatives in Kosovo and The Front-Line States

The current conflict in Kosovo has brought to light additional challenges in the immediate to mid-term future for civil society groups in the Balkans. Indeed, heightened ethnic tensions and cleavages in the FRY and the front line states will affect the entire SO 2 1 portfolio. To address these issues, ENI/DG/CSM proposes the following activities to fit within the current Results Framework.

1) Introduction of conflict management and remediation programs
Initially, we envision a series of roundtables and conferences to gain a greater understanding of the role civil society groups can play in this area. Then, we believe that we can not only incorporate elements of conflict management and remediation into our current programs, but also supplement our portfolio with organizations that can lend specific technical expertise in this area.

New funding in FY 99 would be used to fund these conferences and information gathering activities. If deemed appropriate, additional funding in FY00 and FY01 would be used to fund specific program initiatives. Indicators and targets would be developed at that time.

2) Initiatives to address the needs of women's NGOs and leaders in the Balkan region Historically, women's NGOs have played a leading role in providing services, economic development opportunities, and raising the awareness of women in the Balkans to their rights as citizens. A women's leadership/networking/NGO assistance program in the Balkans will facilitate the coming together of women who have been further isolated due to the current conflict. A sharing of ideas and experiences would strengthen ties among women in the region, as well as strengthening the capacity of women's NGOs to remain effective voices for reform. Requested funding in FY99 would kick off this activity, with additional funding in FY00 and FY01.

3) FRY/Front-Line States Regional Media Programs Assuming peace comes to the Balkans within the next 3-6 months, there will be great demand placed on ENI's media program to provide resources to Kosovo, Macedonia, Albania and other frontline states to build, develop and upgrade their independent media. The current crisis in Serbia has highlighted the critical role media plays in the life of a nation.

The Ring Around Serbia (RAS) initiative is an attempt to broadcast objective news and information into Serbia from bordering countries. Depending on what happens in Serbia, there will be additional resources required to support this initiative.

Additionally, as long as refugees remain in Albania, Macedonia and elsewhere, there will be a need to support efforts at providing news and information of all sorts to these displaced populations. Once refugees are allowed to return to Kosovo, additional money will be required to rebuild the media infrastructure in Kosovo.

Most important though will be the need to create regional alliances or linkages between people in order to foster greater understanding of people from different backgrounds. As is the case in Bosnia, media has been used as an instrument of war in Serbia, the post-conflict period will require efforts at making sure media becomes an instrument of peace and

understanding, or, at least, that enough independent media outlets are created to offset State media and offer people objective news and information

As such, it is proposed that ProMedia increase its cross-border activities, especially in the Balkans but including Belarus and Ukraine, that develop linkages between countries and strengthen dissemination of objective news and information. These activities would include training, programming acquisition, equipment grants, radio and television production, satellite TV initiatives and other regional work

2 1 Increased, better informed citizens participation in political and economic decision making

SAA 2 Democratic Reform

110 0007 Democratic Reform

DG	TA/Training	Political Organizations
DG	TA/Training	ProMedia/ProMedia II
DG	TA/Training	Other Regional Media
DG	TA/Training	Regional NGO Networking (FH)
DG	Admin	PSC Political Process Specialist
DG	Admin	PSC Senior NGO Specialist
DG	Admin	PSC Senior Media Advisor
DG	Admin	PSC Media Specialist
DG	Admin	PSC NGO Officer
DG	Admin	AAAS Fellow
DG	Admin	(PSC TRAVEL & MISC)
DG	Admin	PD&S

SubTotal NIS 2 1

180-0021 Political Process

DG	TA/Training	Political Organizations
DG	Admin	PSC Political Process Specialist
DG	Admin	AAAS Fellow
DG	Admin	(PSC TRAVEL & MISC EXPENSES)
DG	Admin	PD&S

180-0022 Independent Media

DG	TA/Training	ProMedia/ProMedia II
DG	TA/Training	Other/Kosovo/Front Line States
DG	Admin	PSC Senior Media Advisor
DG	Admin	PSC Media Specialist
DG	Admin	(PSC TRAVEL & MISC EXPENSES)

180-0032 NGO Initiatives

DG	TA/Advisory	Regional NGO Networking (FH)
DG	TA/Advisory	Regional NGO Law Assistance (ICNL)
DG	TA/Advisory	Regional Women's Networking
DG	TA/Advisory	Regional Conflict Management
DG		Baltic American Partnership Fund
DG		CEE Trust (partly funded w/95 c/o)
DG	Admin	PSC Senior NGO Specialist
DG	Admin	PSC NGO Officer
DG	Admin	(PSC TRAVEL & MISC EXPENSES)

Subtotal CEE 2.1

TOTAL R4 Request for POT 2.1

U dgsrpub/dgpub/docs/r4/reg00-01 wk4

Initial FY of Funding	Cumulative Obligations	Pipeline Sep 98	FY 1998 FY 97 CO	FY 99 NOA FY 98 CO	FY 99 Additional Req	FY 2000 Est	FY 2001 Request	Remarks
95	975	0	390	500		500	500	
					125	125	125	
					125	125	125	
					100	100	100	
			0	50		50	53	
			50	46		46	49	
			0	59		59	63	
			42	40		40	42	
			23	35		35	37	
			0	50		50	53	
			30			72	76	
			0	0		0	0	
SubTotal NIS 2 1	975	0	538	780		1202	373	
180-0021 Political Process	0	0	200	200		300	300	
DG TA/Training Political Organizations	0	0	200	200		300	300	
DG Admin PSC Political Process Specialist			47	50		50	53	
DG Admin AAAS Fellow				50		50	53	
DG Admin (PSC TRAVEL & MISC EXPENSES)			12	12		24	25	
DG Admin PD&S			95					
180-0022 Independent Media	95	732	250	250	1 500	1 250	1250	
DG TA/Training ProMedia/ProMedia II	95	732	250	250	1 500	1 250	1250	
DG TA/Training Other/Kosovo/Front Line States					1 000	250	250	
DG Admin PSC Senior Media Advisor			0	59		59	63	
DG Admin PSC Media Specialist			42	40		40	42	
DG Admin (PSC TRAVEL & MISC EXPENSES)			24	24		24	25	
180-0032 NGO Initiatives	95	3 100	74	1 100	400	1 300	900	
DG TA/Advisory Regional NGO Networking (FH)	95	3 100	74	1 100	400	1 300	900	
DG TA/Advisory Regional NGO Law Assistance (ICNL)	94	2 382	0	600	100	700	600	
DG TA/Advisory Regional Women's Networking				0	500	500	750	
DG TA/Advisory Regional Conflict Management				0	100	200	250	
DG Baltic American Partnership Fund				4 000	3 500	0	0	
DG CEE Trust (partly funded w/95 c/o)			0	2 000	0	12 500	12500	
DG Admin PSC Senior NGO Specialist			50	46		46	49	
DG Admin PSC NGO Officer			20	35		35	37	
DG Admin (PSC TRAVEL & MISC EXPENSES)			15	24		24	26	
Subtotal CEE 2.1	284	6,214	130	828	8,490	17,352	17,176	
TOTAL R4 Request for POT 2.1	379	7,189	130	1,364	9,270	18,654	17,547	

V RESOURCE REQUEST Explanatory Notes

A Ongoing Regional programs

DG's regional funds for SO 2 1 support two distinct categories of activities. The first category includes DG's "truly regional" activities in connection with the Democracy Network Program -NGO networking and legal environment assistance. These activities are funded almost entirely by DG (versus by Mission-budgeted funds), and are managed primarily by DG. The second category includes regional support to political party and independent media programs. Support for these initiatives comes primarily from individual Mission budgets, with a modest amount of regional funding from DG. In the case of political party activities (see additional explanation below), DG reserves a small amount of regional funding for unanticipated elections. Once regional funds are obligated for election activities in a particular country, the Mission assumes responsibility for reporting against these funds. In the case of all category two activities, individual Missions take the lead in results reporting within their individual R4s. DG's review of the country R4s indicates that there is adequate coverage of these activities (including ProMedia, IFES, NDI, and IRI)²

1 Category One—"Truly Regional" Activities The recent independent evaluation of FH and ICNL concluded that there is "strong rationale for the design and implementation of a significant, continuing regional program of NGO sector collaboration in CEE," (MSI, 28). Prospective benefits include

- Maturation of the NGO communities in CEE now permits and encourages a deeper and more meaningful framework of partnership relations than had hitherto been the case
- There are emergent and important opportunities for northern tier NGOs to work with and make a meaningful contribution to NGOs in southern tier countries

² Although individual missions are budgeting for and taking the lead in reporting results for category two activities, it should be noted that there are substantial regional linkages made in several of these programs. These linkages include cross-border information sharing, technical assistance, and training

- The closing of some DemNet country programs terminates a US link with a number of important and influential organizations, and may, in some instances, create a funding hiatus that could put these organizations at risk. Maintenance of a well-funded regional program could sustain linkages and may in some cases provide bridge funding.
- An important agenda of common, and in some instance, joint public policy issues has emerged in CEE, and a regional program could help to structure an integrated and coordinated approach to these problems. A program organized through an US PVO would provide potential continuing access to the vast US experience in formulating effective solutions to social, economic, and environmental issues.
- A visible but relatively modest US funded regional program is a signal of continued US attention, involvement and commitment to consolidation and sustainability of civil society and democracy in CEE.

(MSI, 28)

Budgets for 2001 and 2000 for regional NGO networking and legal assistance reflect a fixed level of funding for both ICNL and FH's activities under the DemNet. As noted in last year's R4, the decision to continue working with both ICNL and FH was largely based upon substantially positive findings of the independent evaluation, which found that "ICNL and Freedom House have substantially met the objectives of their Cooperative Agreements with USAID. Both organizations have benefited from this relationship, and are better situated to transfer responsibility for civil society support and development to CEE institutions than would have been possible in 1994," (MSI, v)

Accordingly, for Freedom House's regional networking activities, we are requesting an additional \$500,000 in FY99, \$1,400,000 FY 2000 and \$1,000,000 in FY 2001. As part of these totals, we will be requesting \$100,000 of FY 2000 and \$100,000 of FY 2001 in FSA funds to support the transregional initiatives, although we expect that NIS missions will provide bilateral support as well.

As of May 1, 1998, ICNL has been functioning under a new Cooperative Agreement, two-thirds of which is funded by ENI/DG/CSM, with the remaining one-third funded through

Mission contributions based upon country need and resource availability. The ENI/DG/CSM monies fund regional-oriented programs and assistance, and cover all personnel and facilities. The Mission contributions cover solely country-specific projects and assistance expenses.

In order to ensure that ICNL is able to provide services at the same level as in previous years, funding for 2000 is projected at the same level as current spending. This is largely due to the needs of the newly added Balkan countries--Bosnia, Croatia, and Serbia--where the needs are great, and outweigh any possible cost savings derived from lessened activity in the Northern Tier. This funding level also ensures that ICNL will be able to assist Missions that are unable to contribute to the new Cooperative Agreement, based upon their close-out plans or budgetary constraints. We believe additional funding for ICNL to the requested level is fully warranted, as performance to date has been exemplary, and the need for ICNL's assistance across CEE remains great. Accordingly, we estimate an expense of \$700,000 in FY 2000, and are requesting an additional \$600,000 in FY 2001.

The BAPF is fully funded, and the Trust will be fully funded by FY 02. However, activities under the BAPF have only just begun in FY 99, and activities under the Trust will not be initiated until FY 00, and then only in a limited number of countries. Therefore, while we are requesting regional funding to support the Trust in FYs 00 and 01, we need to maintain the levels of support for ICNL and FH through FY 01 to ensure programmatic continuation.

B New Regional Activities

1) The CEE Trust

As noted in last year's R4, USAID has committed to obligate \$12.5 million each year to the Trust. A full justification is attached as Annex 1.

2) Kosovo/Front-Line State Initiatives

The current conflict in Kosovo has brought to light additional challenges in the immediate to mid-term future for civil society groups in the Balkans. Indeed, heightened ethnic tensions and cleavages in the FRY and the front line states will effect the entire SO 2.1 portfolio. To address these issues, ENI/DG/CSM proposes the following

1) **Introduction of conflict management and remediation programs** The proposed budget request for these activities is supplemental FY99 funding of \$100,000 for conferences and workshops, and then \$200,000 for FY 2000 and \$250,000 for FY 2001 for innovative programs in this area

2) **Women's NGO Leadership and Networking Activities in the Balkans** The proposed budget request for this activity is \$500,000 in new FY99 funding, followed by \$500,000 in FY 2000 and \$75,000 in FY 2001

C Category Two - Country-based Activities

Political organizations activities include the work of IFES, IRI, and NDI Regional funding is reserved for emergency situations when country budgets cannot support activities that are necessary because of unscheduled elections For example, in late 1998, US leadership and OSCE implementers required technical election expertise both on the ground in Kosovo as well as to inform those drafting election-related annexes to initial peace settlement documents Because regional funding was available, IFES was able to provide much needed technical assistance to the USG and the Kosovo Verification Mission Election Unit The activities made possible by allocations of regional funds are tracked within individual Mission R4s

The ProMedia program, and its successor, ProMedia II, have a regional line items in the cooperative agreements These funds are reserved for a variety of purposes, including sector assessments, evaluations, and cross-border workshops in which trade unionists or members of the media are brought together to discuss common issues Participating missions track these activities within individual country R4s

Media Budget Request

Our request for funds to support independent media for FY 1999, FY 2000 and FY 2001 reflect a concerted effort to increase cross-border information exchange among journalists, address the need for investigative journalism to support anti-corruption efforts in ENI, and address the long term need to support the post-conflict situation in the Balkans

As such, although FY99's Regional media budget was set at \$250,000, more funds will be required to do the following

- Continue support of the RAS initiative **Cost \$1,000,000 in FY99**
- Supplement ProMedia by
 - Adding cross-border activities, especially in the Balkans but including Belarus and Ukraine, that develop linkages between countries and strengthen dissemination of objective news and information. These activities would include training, programming acquisition, equipment grants, radio and television production, satellite TV initiatives and other regional work
 - Supporting the anti-corruption initiative started with FY98 funds
 - Organizing at least one Regional conference for the ProMedia program

Total estimated cost of these ProMedia-related initiatives is \$1,750,000 in FY 1999. Continued implementation of these efforts is dependent upon additional funding in FY 2000 and FY 2001, as detailed in the attached budget spreadsheet

Staffing levels

SO 2 1 currently funds five Washington-based PSCs who manage programs in this SO, and is anticipating the arrival of an ALAS Fellow in late FY99. Since many country R4s have designated SO 2 1 as one of their top priorities, we anticipate that SO 2 1 will need to maintain current staffing levels through FY 2001 to meet management requirements

VI Performance Data Tables

Result level and number	Result statement	Performance Indicator	Indicator definition and unit of measurement	Baseline data		Targets and actual results									
				Year	Value	1998		1999		2000		2001			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual		
SSO 2 1 1	Sustainable civil society organizations effectively promote citizen interests	1998 ENI NGO Sustainability Index score which includes the legal framework organizational capacity financial viability advocacy and public image of a country's NGO sector	Number of CEE countries in which NGO sector rates an average of 2 or better on 1 7 scale 7= unchanged since Soviet period Source 1998 ENI NGO Sustainability Index	1997	2	5	3	5		6					
		NGOs across CEE contribute to public policy dialogue	Percentage of CEE NGOs reporting regular interaction with government Source FH Annual NGO Survey	1998	63% regular or frequent 31% sometimes 5% never	TBD		TBD		TBD		TBD			
IR 2 1 1 1	The legal environment effectively supports the formation and operation of NGOs	County Legal rating according to the 1998 NGO Sustainability Index scale	Stages 1 3 stage 3 represents most supportive NGO legal environment Unit is % of CEE countries in each stage See attachment 2 for definitions and explanation Source 1999 ICNL Work Plans	1994 Note Bosnia Croatia and Serbia baseline conducted in 1997	Original Demnet 1- 73% 2 = 27% 3 = 0%	Original Demnet 1-15% 2-54% 3-31%	Original Demnet 1- 0% 2- 64% 3- 36%	Original Demnet 1- 0% 2- 64% 3-36%	Original DemNet 1- 0% 2- 64% 3- 36%	Original Demnet 1-0% 2-64% 3-36% Bosnia Croatia Serbia 1-0% 2-100% 3-0%		Original Demnet 1-0% 2-9% 3-91% Bosnia Croatia Serbia 1-0% 2-100% 3-0%			

Result level and number	Result statement	Performance indicator	Indicator definition and unit of measurement	Baseline data		Targets and actual results					
				Year	Value	1999		2000		2001	
						target	actual	target	actual	target	actual
IR 2 1 1 2	Cross border information and linkages strengthen NGO institutional development	Cross border cooperative relationships established by NGOs Source Annual FH NGO Survey	Percentage increase in number of cooperative relationships	1998	68% total	N/A		TBD		TBD	
		Cross border relationships and information sources enhance skills and organizational capacity Source Annual FH NGO Survey	Percentage of NGOs rating these relationships as important or very important	1998	52%	N/A		TBD		TBD	
			Percentage of NGOs rating regional information sources as great or significant resources	1998	55%	N/A		TBD		TBD	
IR 2 1 1 2 cont	Cross border information and linkages strengthen NGO institutional development	Sharing of lessons learned on NGO legal issues through in person consultations or exchanges of information Source ICNL	Number of such linkages across CEE per year	1997	N/A	1998 target 8	1998 actual 14	1999 target 10	1999 actual 17	2000 target 12	2000 actual

Result level and number	Result statement	Performance indicator	Indicator definition and unit of measurement	Baseline data		Targets and actual results					
				Year	Value	1999		2000		2001	
						target	actual	target	actual	target	actual
IR 2 1 1 3	Fund and revenue raising activities from local and international sources increase NGOs financial viability	Diversification of funding sources for NGOs Source FH NGO Survey	Percentage change of private contributions in NGO budgets from previous year	1998	13% reported increase of 10% or greater 8% reported 10% decrease						
		Increase of revenue earned by NGOs Source FH NGO Survey	Value of NGOs income earned through membership dues fees for service publications etc	1998	21% reported more than 75% from non-grant sources 40% reported less than 10%						

Annex 1
Justification The Trust for Civil Society
in Central and Eastern Europe

Background

Since the fall of the Berlin Wall in 1989, the United States Government (USG) and U S foundation have taken significant strides in developing and nurturing civil society organizations in the Central and Eastern Europe (CEE) region. Their aim was to provide a counter-balance to state governments, encourage and facilitate independent civic action, and provide cost-effective partners to governments for the delivery of social services and public goods. These institutional development efforts have been successful, particularly in some of the northern-tier countries, and have led to the emergence of multiple, high-impact, low cost projects and initiatives meeting social needs. As a result, the USG and some foundations are reducing their traditional non-governmental organization (NGO) support activities in these countries. In southern-tier countries, however, development of civil societies has evolved at a far slower pace and still requires traditional forms of assistance.

In effect, as each CEE country progresses to the point where structural reforms are essentially complete, it needs a new phase of foreign assistance to help consolidate its transition. The first phase should establish indigenous capacity in the public, commercial and voluntary sectors to administer the remaining transition. Further American assistance will rely more heavily on implementation by organizations created by the citizens of CEE rather than on implementation by the conventional mechanisms of foreign assistance. The Trust for Civil Society in Central and Eastern Europe is designed to utilize existing indigenous NGOs to implement its programs in countries where USAID staff have completed the objectives of conventional foreign assistance.

Thus, the Trust is being created so that the United States may go on helping citizens in these countries develop the more subtle but no less critical elements of their democracies even after traditional foreign aid diminishes. In essence, the Trust is envisioned to help sustain, encourage and train those whose organizations - when taken in the aggregate - will generate democratic activism, strengthen open market orientation, deepen democratic impulses and, most significantly, act as guardians against a return to command economies.

As referenced above, the Trust is designed specifically as a post-presence activity that will service those USAID close-out

countries in the CEE region As such, in order to be justified as a post-presence activity, the Trust should meet the criteria listed in the "Guidance for Consideration of USAID Activities in Post-Presence, ENI Countries " Those criteria follow

Post-Presence Criteria

• **Relevance** The Strategic Support Objective (SSO) of SO 2 1 is that "sustainable civil society organizations effectively promote citizen interests " To judge whether this SSO has been achieved, three Intermediate Results are proposed

○ I R 2 1 1 1 - Legal environment supports the formation and operation of NGOs

○ I R 2 1 1 2 - Cross-border information and linkages strengthen NGO institutional development

○ I R 2 1 1 3 - Fund and revenue raising activities from local and international sources increase NGOs' financial viability

The purposes of the Trust, as stated in the Trust draft RFA document, align with these IRs The proposed Trust purposes include

○ To enhance the legal, policy and attitudinal environments needed for the development of a strong, civil life complementary to, but beyond the control of governments (See I R 2 1 1 1 above)

○ To build cross-border and regional links to promote civil society and ensure that lessons learned in one country continue to be shared with organizations in other countries (See I R 2 1 1 2 above)

○ to contribute to the financial sustainability of a few qualified, indigenous organizations by seeding endowments (See I R 2 1 1 3 above)

○ to encourage and promote financial viability through indigenous philanthropy, public support for NGOs and revenue generating activities of NGOs (Also see I R 2 1 1 3 above)

As reflected in the above discussion, the special relevance of the Trust is that it directly relates to all three of the IRs associated with S O 2 1

In addition to S O 2 1, the Trust purposes exhibit a relationship to most of the other ENI Special Objectives. For instance, in "enhancing the legal, policy and attitudinal environments" the Trust demonstrates its association with S O 2 2, "legal systems that better support democratic processes and market reforms." The same can be said for S O 2 3, "more effective, responsive and accountable local government," as the Trust intends in part to support civil initiatives undertaken by civil advocacy NGOs.

Further, because the Trust intends to support such organizations as consumer protection and consumer rights groups, professional associations, chambers of commerce and associations of small and medium sized businesses, at least some portion of its activities could be justified under SOs 1 1 through 1 5. Local social service organizations such as human rights advocacy groups and womens' organizations are also included as potential subgrantees of Trust funds. This broadens the SO umbrella to SOs 3 1, 3 2 and 3 3, under which the Trust at least in part could be justified.

• **Results** The Trust is an endowment and per Policy Determination-21, "endowments are created in order to provide the organization with a stable source of income, (and hence) the primary purpose for which the funds are to be used is accomplished at the time the endowment is funded." (Section V-C of PD-21) Within this context, in a limited, technical sense, the results of the Trust are achieved when the cooperative agreement is signed with the winning applicant.

In addition, the Trust was developed with a set of "exit criteria" in mind which are measurable results that indicate that the purposes of the Trust have been met in individual CEE countries. These criteria include principally that the NGO sector in a given country (a) has adequate financial support from sources other than the Trust assistance, and (b) functions effectively in support of the transition goal of the Trust of consolidating democracy and advancing the development of market-oriented economies in the 15 CEE countries.

Specific indicators to measure the financial viability of the NGO sector include the flow to NGOs from alternative sources of income such as membership dues, domestic philanthropy, domestic government support, revenue-generating activities, investment earnings and in-kind income such as volunteers.

Specific indicators to measure how well the NGO sector will serve the Trust's goal after Trust assistance ends include the administrative skills of NGO staff, a stable and acceptable legal and regulatory environment, a minimum size for the sector, and a composition that embraces the essential roles for NGOs for transition

As the Trust's resources (up to \$100 million) are intended for all 15 CEE countries, it is anticipated that there will be a rolling entry and exit from these countries when the respective entry and exit criteria are met

- **Capacity** To implement the Trust, a new 501c(3) organization will be established. Each Foundation will have a seat on the Board of Directors, and USAID will be represented by an ex-officio member.
- **Accountability** USAID oversight for endowments is specifically spelled out in PD-21 which, in Section V-F states that the "use of (USAID) funds should be monitored for a minimum of five years and a maximum of ten." Further, USAID management oversight will be strengthened through its role as an ex-officio member of the Trust's Board of Directors.
- **Cost-effectiveness** One of the unique aspects of this commitment of \$50 million USAID funds is that it leverages monies at all levels. First, the Trust represents a cooperative programmatic and funding relationship involving USAID and four foundation partners, the Ford Foundation, the Mott Foundation, the Open Society Institute and the Rockefeller Brothers Fund. It is expected that these partners will also contribute up to \$50 million over the life of the endowment. Secondly, and more important in terms of the purposes of the Trust, the beneficiary institutions, i.e., the in-country NGOs, will be expected to make some kind of "match" contributions for the subgrants and subendowments that they receive, all of which, eventually, will demonstrate a level of financial viability by the in-country NGOs.
- **Foreign Policy** As the Trust is an innovative, public-private partnership between the USG and a group of private American foundations, the U.S. is afforded an opportunity to remain a vibrant presence in the region while remaining faithful to the original purpose of the Support for Eastern European Democracy (SEED) Act of 1989, to provide short-term advisory capacity during the early transition years.
- **Funding Gap** As USG and foundation support diminishes in certain CEE countries, it is apparent that neither domestic

philanthropy (individual and corporate) nor CEE governments have developed sufficient capacity to support an active NGO sector. This funding gap is likely to jeopardize the sustainability of civil society in the region. The reasons for this funding gap are several. First, the economies of the region have not developed sufficiently to generate the discretionary income necessary to enable individuals or corporations to adequately support civil society. Coupled with economic problems, there continues to exist an attitudinal problem, particularly in the southern tier, where traditions of voluntarism and charitable giving have not developed. In addition, despite tremendous strides made in improving the legal framework surrounding NGOs in the region, there are still serious regulatory and tax code enforcement issues.

Therefore, the Trust represents an opportunity for the USG, U.S. foundations and corporations and potentially other public and private funders to consolidate and target to funding gap countries the investments that have been made in the development of civic initiative in the region. On a local, in-country level, it is anticipated that the criteria for awarding both sub-grants and sub-endowments will include a demonstration of need - that a funding gap exists - by the recipient NGO.

- **Sustainability** As referenced under the "relevance" criterion above, the Trust is expected to generate all three of the IRs which demonstrate the achievement of the Strategic Support Objective of having "sustainable civic society organizations effectively promote citizen interests." More specifically this concept of sustainability is associated with the exit criteria which when achieved, are intended to indicate that the purposes of the Trust have been met and that Trust funding is no longer required in a certain CEE country.

POT 2 2 Legal Systems that Better Support Democratic and Market Reforms
Results Review and Resource Request

A Results Review

POT 2 2 recently conducted a review of progress of ENI countries towards its graduation criteria. The review led us to conclude that the graduation criteria are difficult to measure on an annual basis, as they are qualitative in nature and we do not have the resources to ask an independent panel to review them for each ENI country annually. Therefore, the POT recommended that two indicators in particular be assessed on a yearly basis to determine regional progress. There are two independent and useful sources of information to measure progress under SO 2 2: the Nations in Transit survey and the State Department Human Rights Report. The latter is useful because if legal systems support democratic and market reforms, we would expect to see governments respecting their citizens' human rights. At a higher level of progress would be countries with independent judiciaries, and the State Department Human Rights report makes a judgement about this annually also. At the level of graduation would be those countries that have better legal systems according to the graduation criteria.

Data from the two reports for 1997 and 1998 is shown below

Country	Independent Judiciary*		Rule of Law Rating (out of 7)**	
	1997	1998	1997	1998
Albania	No	No	4.75	5.25
Armenia	No	No	4.75	4.75
Azerbaijan	No	No	5.5	5.50
Belarus	No	No	6.0	6.00
Bosnia	No	No	N/A	6.50
Bulgaria	Yes	Yes	4.25	3.75
Croatia	No	No	4.75	4.75
Czech Republic	Yes	Yes	1.5	1.50
Estonia	Yes	Yes	2.25	2.25
Georgia	No	No	5.00	5.00
Hungary	Yes	Yes	1.75	1.75
Kazakhstan	No	No	5.0	5.25
Kyrgyz Republic	No	No	4.5	4.50
Latvia	Yes	Yes	2.25	2.25
Lithuania	Yes	Yes	2.25	2.00
Macedonia	Yes	Yes	4.25	4.50
Moldova	No	No	4.25	4.50
Poland	Yes	Yes	1.50	1.50
Romania	No	No	4.25	4.25
Russia	No	No	4.00	4.25

Slovakia	Yes	No	4 00	4 00
Slovenia	Yes	Yes	1 75	1 50
Tajikistan	No	No	6 25	6 00
Turkmenistan	No	No	6 75	6 75
Ukraine	No	No	3 75	4 00
Uzbekistan	No	No	6 50	6 50
Yugoslavia	No	No	N/A	5 00

* From the U S Department of State Report on Human Rights Practices 1997 and 1998

** From Freedom House Nations in Transit 1998, on a scale of one to seven with one being the most advanced in terms of democratic legal systems

The following ENI countries have independent judiciaries Bulgaria, Czech Republic, Hungary, Macedonia, Poland, Estonia, Latvia, and Lithuania The following countries have achieved a Freedom House NIT rule of law score of 3 or lower (1 being the most advanced in terms of democratic legal systems), indicating that legal reform is well underway Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland

At the other end of the scale, the following countries had poor human rights records in 1997 Azerbaijan, Belarus, Croatia, Yugoslavia, Armenia, Kyrgyzstan, Kazakhstan, Russia, Tajikistan, Uzbekistan The following countries received a rule of law score of 5 or higher in the NIT 1998 survey Albania, Azerbaijan, Belarus, Bosnia, Georgia, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan, Yugoslavia Thus, the countries that are generally not respecting human rights and that have made very little progress in changing their legal systems are Azerbaijan, Yugoslavia, Kazakhstan, Tajikistan, Uzbekistan, Belarus, Turkmenistan There would seem to be insufficient political will in these countries to lead to an outcome of "legal systems that better support democratic processes and market reforms," no matter what assistance is proffered The best approach to such countries now is to support individual reformers, free elections, and civil society to the extent allowed by the regime

In between the extremes are Bulgaria, Macedonia, Albania, Croatia, Georgia, Armenia, Kyrgyzstan, Russia, Bosnia, Moldova, Romania, Slovakia, Ukraine In six of these countries, USAID is pursuing SO 2 2 USAID should consider whether progress in legal reform in the others will allow them to make a full transition to democracy and a market economy in the next 10 years, or whether more external support is necessary

The regional activities that are under the purview of POT 2 2 will not by themselves have an impact on these indicators These regional activities are designed to complement and reinforce rule of law programs in the countries in the region Or, they may be criminal law reform programs undertaken by Department of Justice that are intended to complement and reinforce law enforcement assistance provided by U S law enforcement

agencies For this reason, we do not have activity-specific indicators for the regional activities for which we have received funding to date

Over the last year, we have not seen a change in our indicators in the ENI region However, one would not expect to see independent judiciaries in the immediate future in our target countries of Ukraine, Russia, Armenia, Georgia, Albania and Bulgaria Our programs are modest and there are a variety of complex factors influencing the judiciaries including the fiscal stability of their countries, the question of how to deal with judges who started their careers during the Communist era, low judicial salaries, etc By tracking our indicators over the next 5 to 10 years, however, a picture should emerge of more countries with independent judiciaries and therefore more stable democracies with firmer legal underpinnings for market activity

Institution building ABA/CEELI has provided technical and legal assistance to a large number of countries in the region While most of the funding has been for country specific activities, there are small amounts of regional funds used to support a regional institution building advisor (RIBA) The main duties of the RIBA are to provide more specialized assistance to the various local rule of law NGOs with which ABA/CEELI has partnered over the past several years Through the use of organizational development interventions ABA/CEELI seeks to strengthen its partners' capacities to effectively provide services to their constituencies, and to help them become more viable, autonomous, and sustainable over the long run The RIBA divides her time among country programs much like a USAID PSC would, and therefore should be funded regionally The RIBA has achieved significant gains over the past year by

- Assisting the Bulgarian Legal Initiative for Training and Development (PIOR) to obtain funds from international donors,
- Assisting the Macedonian Judges Association to design proposals that were submitted to the Westminster Foundation of Democracy and the C S Mott Foundation
- Assisting the Lithuanian Center for Law and Democracy to obtain funds from Soros to support a public interest program on gender issues, child welfare, and consumer protection

In short, the RIBA ensures that rule of law NGOs will continue to exist after USAID assistance ends and that a legacy of western style rule of law institutions is created

Corruption POT 2 2 regional funds are being requested for anti-corruption activities in FY2001 While this request is new, the activities to be funded are on going Thus, a brief results review is in order

In September 1997, USAID/ENI formed an Anti-Corruption Working Group (ACWG) made up of DG and PER technical officers The first priority of the ACWG was to seek mission and front office approval of an overall ENI Anti-Corruption Strategy and Guidance paper The ACWG then collaborated with several outside donors,

including the World Bank and the Organization for Economic Cooperation and Development (OECD) in Paris to co-host diagnostic surveys of corruption and a larger “Conference on Combating Corruption in Transition Economies,” which took place in Istanbul in October 1998. The OECD’s Anti-Corruption Network, which USAID proposed, was inaugurated at that workshop.

One of the principal problems of ‘grand corruption’ is measuring its impact in transition economies. Despite assertions, little is known within countries themselves as to the causes of corruption, its influence in the public sector (executive, legislative and judicial branches of government) or the newly created private sector. Rather than immediately create poorly thought out programs that try to do too much by “stopping” corruption, USAID’s ENI has first tried

- (a) to increase understanding as to the complex origins of the problem in the communist and recent post-communist economic systems,
- (b) encourage diagnostic surveys, using host-country NGOs, to be publicized at national “integrity conferences” hosted by the World Bank,
- (c) to work with municipal and sub-national NGOs to promote stronger political support for in-country anti-corruption efforts, through MSI and other contractors/grantees, and

Label1

- (d) Create broad donor, NGO and host-country government support for selected implementation activities in judicial/administrative ethics, fiscal, procurement and civil service reform, business licensing simplification, and public-private “partnerships” to strengthen domestic political support for anti-corruption programs

Each of the below conferences, workshops, and programs aims to achieve 1 or more of the 4 objectives outlined above

Progress Measured against Above Objectives

- Donor’s Anti-Corruption Network One of the planned results from the Istanbul Conference involved the creation of a larger Donors’ Anti-Corruption Network, implemented by Management Systems International (MSI), which would bring donor organizations together to discuss comparative advantages and suggest further implementation strategies. MSI began work on an electronic network webpage, involving bulletin boards, compilations of ‘lessons learned’ and ‘best practices’ in the region. At the next meeting of the OECD Steering Group in Paris in January 1999, the webpage (<http://www.nobribes.org>) was officially inaugurated. The European Bank for Reconstruction and Development (EBRD), the UN Secretariat and Crime Prevention Programs, Soros Open Society Institute, USAID, OECD, Transparency International, the World Bank and several other donors met to discuss proposals for future financial support of the website.

- The OECD Private Sector Conference In February 1999, USAID/ENI and G/DG co-hosted a workshop on private sector corruption that brought attention to the role of the business community in creating joint incentives against corruption, forming anti-corruption 'pacts' and discussing the impact corruption has in developing economies. Plans for upcoming workshops in Russia and elsewhere in the NIS focusing on the importance of private sector ethics were begun.
- Vice-President's Anti-Corruption Forum USAID helped S/NIS, S/INL and others within the State Department to craft a post-conference agenda that put strong emphasis on the importance of collaboration with multilateral donors, sharing of information and diagnostic survey data on the incidence and perception of corruption among businesses, households and government officials. Planned work for 1999-2000 involves collaborative support to the World Bank Institute for a series of diagnostic surveys in Bulgaria, Armenia, Russia and Ukraine, and possible "integrity conferences."

Progress Largely Met Expectations

Since the primary goals of the first year of the ACWG involved publicizing the problems of corruption more broadly in international forums, and attracting broad donor support, progress in 1998 largely met expectations.

Prospects for progress through FY2001

We expect to see progress on our indicators in the following countries by 2001: Albania, Armenia, Bulgaria, Georgia, Macedonia, Moldova, Russia, Slovakia, Latvia, Lithuania, Romania, and Ukraine. This progress will result from our and other donors' support of legal reform and anti-corruption initiatives. In these countries, constitutions call for independent judiciaries, and we are supporting the work that needs to be done to make independence a reality in practice. A common theme in the State Department Human Rights Report is that while judges are independent on paper, they are ill equipped to carry out their role in democratic, market societies. This is where donor assistance can have an impact.

In addition, we expect to see progress on anti-corruption matters by 2001 due to the following:

Novgorod Conference USAID, in co-operation with the Department of Commerce, is co-sponsoring an OECD Conference on Private Sector Ethics, to be held in Novgorod, Russia in June 1999 with the participation and support of Governor Mikhail Prusak of Novgorod Oblast. At this conference, it is anticipated that a common code of business ethics will be adopted by several business associations in the region, endorsed by the Governor, and permission for the World Bank's Fiscal Investment Advisory Survey (FIOS) to be conducted. The oblast would then have the distinction of being the first

Russian region to formally embrace a regional Code of Ethics for the private sector, helping to create a more positive environment for domestic and foreign investment

Bulgaria Workshop USAID/Sofia and USAID/ENI will co-host a "Workshop on Creating Public-Private Partnerships to Promote Transparency" in Varna, Bulgaria, also in June 1999. Representatives from government and the NGO community in Bulgaria, Slovakia, Romania, Albania, Serbia, the Czech Republic, and Ukraine, and specialists from western donor organizations will meet to discuss practical ways of implementing public-private sector co-operative ventures designed to increase demand for stronger, more accountable government practices

Fiscal Reform Pilot/Hungary With the OECD's SIGMA directorate, USAID/ENI and USAID/Budapest Regional intends to support a pilot fiscal reform project whose goal is to accentuate 'best practices' for Central European states reforming their fiscal systems

Romania The mission has budgeted for a substantial anti-corruption program, to be designed with help from the Bureau. By 2001, we project that some regional activities will be designed to complement these efforts, leading to multi-sectoral support for anti-corruption measures in Romania

Finally, USAID intends to support several new World Bank diagnostics in Armenia, Bulgaria, Russia and possibly Ukraine and Romania in 1999 and 2000

B New Program Descriptions and Performance Measures

Our new programs are designed to complement and facilitate mission programs in rule of law and anti-corruption and therefore, we are not providing performance measures beyond the regional graduation criteria

Anti-Corruption Program

- MSI (\$250,000--\$300,000) MSI will increasingly be called upon through its existing contract with ENI/DG to participate in country diagnostics (one is already planned for Romania) with other agencies, such as Department of Justice, which will share MSI's experience in organizing public-private transparency coalitions in Ukraine to Central European countries (like Slovakia, Bulgaria, Macedonia, Bosnia) which are only now expressing interest in this
- OECD (\$150,000--\$20,000) State Department has expressed strong support that the USAID/OECD partnership in the Anti-Corruption Network continue. Additional workshops and conferences (which include an annual meeting in Istanbul, plus 3-4 regional workshops in places yet to be determined) are planned, and it is anticipated that these conferences will increasingly involve co-operation with the European Union, as well as with other directorates within OECD (SIGMA and PUMA)

- World Bank (\$250,000-350,000) As mentioned above, new in-country diagnostic survey work and national (or sub-national) integrity conferences for selected oblasts of Russia, Bulgaria, possibly Romania, and Armenia, as specific 'deliverables' to the Gore Anti-Corruption conference, are also planned Discussions with World Bank and Russian Government officials to begin this in Russia have already begun
- Global Bureau Contractor Buy-Ins (\$100,000-250,000) During the summer of 1999, the Global Bureau's Center for Democracy and Governance will issue two RFAs for specialized anti-corruption efforts, with the understanding that ENI will buy in to some activities (such as more specialized or experimental judicial, legal, procurement/civil service/banking reform pilot programs in select countries), concurrent with mission need and political opportunity

FY2001 Request \$1.1 million

Regional Judicial Training Program

SO 2.2 country-specific programs focus on institution building, including implementation of new laws and other legally binding standards A regional program can supplement and reinforce the effort in a number of ways One important way is through education programs for judges who grew up in a non free-market environment Judges require a solid foundation in basic economic and business concepts in order to be able to analyze commercial law issues and properly apply commercial laws to the underlying transaction and disputes at hand

A second regional program objective is to support the accession of ENI countries to regional and international bodies and treaties This will be increasingly important as the U S supports regional initiatives such as the Southeast Europe Initiative, SECI and the Southern Balkans Initiative While our country-specific programs focus on national institution building, encouraging regional collaboration supports one of our key foreign policy objectives Clearly, there will not be real regional collaboration of ENI countries until they can uphold the external obligations to which their governments are bound by international treaties and other protocols to which they have acceded

[Results Review]

This topic was included here in last year's regional R4]

New Program Descriptions

POT 2.2 is proposing two regional programs – one that will provide training to judges in Economics, Finance and Commercial Law, and a second for judges and policy makers regarding International Organizations and Treaties These two topics, which lie at the

interface of democratic governance and economic growth, are common to all countries in the region. Training in these topics will both provide participants with important information that transcends national boundaries and benefit participants by providing them with a forum in which to interact with their counterparts from other countries. The substantive basis for the two programs and their implementation are described below.

Economics, Finance and Commercial Law The ENI countries have enacted many new complex, commercial laws. Proper application of these laws in the context of a market economy is dependent upon judges having a familiarity with the basic economic and financial accounting principles that underlie these laws. These principles, together with frequently used forms of business transactions, are common across national boundaries – unlike specific commercial laws and regulations, which are unique to each country. Judges require knowledge and skills based training to be able to apply these laws, and thereby to facilitate economic growth in their respective countries and the region.

This training program for judges will comprehensively examine (1) basic economics principles, (2) accounting principles, and (3) common forms of business transactions. The program will be taught up a combination of judges, economists, accountants, commercial lawyers and other experts.

Commercial disputes require judges to have a solid grounding in basic economics, accounting principles and the forms in which business transactions are commonly structured. Judges need to be able to understand rudimentary economic concepts such as direct and indirect costs, marginal costs and economies of scale. The resolution of business controversies, including those involving commercial laws, securities laws and bankruptcy laws, requires judges to work with accounting principles and understand the transactional context in which the particular dispute has arisen. Accounting principles are based on GAAP (generally accepted accounting principles, whether international or with some country specific variations), and include the standards applied to prepare financial statements, value tangible and intangible assets, and calculate key operating results such as net profit. The differences among various forms of business transactions are often subtle and may appear unimportant, but these differences can yield dramatically different results. Transaction forms include, sale, various types of leases (including true leases and financing leases) revolving and term loans, and licensing.

A multi-day workshop will address these topics, will be participatory in nature, and will include real and hypothetical examples. The emphasis will be on issues common to civil code countries and free market economies, and on providing judges with the practical ability to understand and analyze business transactions.

International Organizations and Treaties

This training program will focus on (1) accession requirements to international organizations, (2) the provisions of important international treaties and conventions, and (3) the fora and procedures used to resolve disputes related to such organizations, treaties and conventions. International organizations, treaties and conventions are critical to economic growth, the protection of human rights, and the protection and sharing of

natural resources. Lawyers, judges and representatives of applicable international organizations and treaty bodies will teach this program.

There are numerous international and regional treaties and conventions. These govern a broad range of areas, including the service of process in international disputes, cross-border enforcement of judgments, customs (the Kyoto Convention), trademark practices (the Bern Convention), and human rights (the European Convention on Human Rights). In addition, many countries are seeking membership in the World Trade Organization, which has its own procedures for the resolution of trade disputes. Policy makers need to understand both the accession requirements for these organizations and agreements, and the obligations that come with accession. Judges need to understand the provisions of the treaties and conventions, as the substantive provisions of these agreements will supplement or supersede the national laws of their respective countries. In addition, judges must understand the subject areas over which these agreements establish regional or international bodies with exclusive jurisdiction to resolve disputes, so that judges will know when their own courts do not have the jurisdiction to decide a particular controversy.

This training program will be organized in a manner intended to address separately issues of interest primarily to judges, on the one hand, and policy makers, on the other hand. To accomplish this, the program may be structured as two separate training programs, or be organized with specific days and modules dedicated to their appropriate audiences.

Implementation of Programs

We will contract for the training programs. Participating judges and other policy officials will be nominated by the AIDRep or Mission, based in part on the participants' interest in becoming trainers in their own countries. The contractors coordinating the programs will include one or more modules on training, so that participants can return to their own countries and train others to become trainers in what they have learned. To promote sustainability of the effort, the program design will also focus on methods intended to ensure that the information and skills transmitted are incorporated and kept current, including (1) information channels by which judges can network and (2) the establishment of partnerships between program participants and US and regional organizations that can assist in continuing education and disseminating new information on the topics covered by the programs. The programs will also be developed in conjunction with international bodies with particular expertise in the relevant subject areas, especially those that may also have provided providing training and technical assistance, such as the Council of Europe, The World Customs Organization in Brussels, and the World Intellectual Property Association.

The sharing of information and experiences intended by the programs will be enhanced by the composition of the faculty, as the faculty will, to the extent possible, include judges, economists, accountants and other experts from European countries, including those that have graduated from USAID assistance. In addition, we anticipate that the programs be held at a location in Europe.

The anticipated time frame of the program, including the networking program, is two years. Support for the networking component itself would continue longer depending on the experience during the first two years.

Judges' Networking

USAID and other donors have made significant outlays to support the development of the judiciary across the ENI region. Some countries have made astounding progress and now have independent judiciaries. Others have judiciaries that differ little in function from their communist predecessors, or in some cases may perform worse.

While legal system reformers exist in all ENI countries, the subject of legal reform to date has been conceived of as a country-specific undertaking, since it involves laws that are particular to one country. However, the types of institutions necessary to a functioning legal system are not very different from one country to another, and certainly ideas for how to advocate for reform can be shared across borders.

We propose to fund a series of legal reformer networking conferences. Missions would nominate key reformers such as ministers of justice, judges, executives of judges' associations, heads of law student associations, legally oriented NGO leaders and others who are working for legal reform in their country, perhaps in relative isolation. The first conference would discuss discrete themes such as

Independence of the judiciary: what successes have different countries achieved in fostering independence of the judiciary?

What do judges of the region most need in order to perform effectively and fulfill their constitutional and societal role?

How can the assistance of outside donors be targeted for maximum effect?

What is the role of civil society and business in demanding effective judicial services?

At the conclusion of the first conference, plans to sustain networks of reformers would be agreed upon, and material support for follow-up identified (such as electronic networks, regional publications, future conferences, exchange visits).

USAID could contact the Council of Europe, COLPI, the World Bank and the EU to ascertain their interest in co-financing the series of networking opportunities. This would have the advantage not only of enhancing donor cooperation, but also of increasing the access of legal reformers to multilateral organizations and private foundations that may be interacting with ministries of justice, but not necessarily with law students, NGO leaders, local judges, etc. The first conference could be held in Strasbourg at the time of the Council of Europe's annual assistance planning meeting, allowing reformers to have

more input into their country's request for assistance from the Council, and allowing for consultations in Brussels with EU/Phare and EU/Tacis officers

POT 2.2 is requesting \$90,000 in FY2001 funds for the kick-off conference, and \$100,000 each in future years for follow-up activities

Regional Conferences on Key Political Process Issues

IFES has submitted a proposal to Global Bureau to address issues that are key to democratization in the region, issues that judges deal with frequently, but not always satisfactorily. These issues are defamation of public officials, political party rights and determination of election disputes. IFES has a cooperative agreement with the G Bureau. G will not fund the activity with core CA funds, but would allow ENI/DG to fund the activity with ENI funds through their mechanism.

The IFES proposal has two phases. The first would involve a conference to bring together judges from the region, focusing on judges from the regions (not the Supreme Courts or Constitutional Courts) who have been responsible for the types of cases targeted by this activity. They would be brought together with their colleagues from courts outside of the region, law professors and other legal experts. Participants would likely be invited from Ukraine, Russia, Hungary, Bulgaria, Romania, Albania, Montenegro, Macedonia, Slovakia, Georgia and Armenia, and also from Germany, Spain, France and the U.S. The second phase would involve the compilation, translation, publication and dissemination of rights-protective judges from the participating courts.

Staff at the Open Society Institute in Budapest have expressed interest in co-sponsoring the project. The Law School of the Central European University, funded by OSI, hosted a consultation of constitutional court judges in early 1998, and would like to be involved in a follow-up program. The CEU has attractive conference facilities and Budapest is conveniently located. The CEU/OSI might, for instance, cover the costs of hosting the conference, and also assist with translations and distributions of publications.

~~4.2 Cross-Cutting Programs~~
CEE

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ABA/CEELI
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[illegible]**Total**

RESULTS REVIEW AND RESOURCE REQUEST

FY 2000 – 2001

Local Government in ENI Transition Countries Regional Networking

Bureau Strategic Objective and Supporting Strategic Objective

This regional activity supports the ENI Bureau's Strategic Objective 2.3 **More effective, responsive and accountable local government** and is managed by the Program Objective Team (POT) in Washington with collaboration from field missions and in support of their programs. The Supporting Strategic Objective is the creation of a regional network which provides experience-based information for local government officials, municipal association members and relevant national officials who seek to solve municipal problems, improve the performance of local government and make it more responsive to citizen needs. The activity was approved for funding in the 1998-1999 R4 cycle with a termination date of April 2002.

Project Background and Description

USAID has been providing technical assistance and training in democratic governance, public administration and urban development in the ENI Region since 1991. In the last several years, decentralization, local governance and community-focused programs have become increasingly important aspects of the Bureau's overall portfolio. These program priorities are based on the recognition that informed citizen participation and public sector accountability occur where government functions in immediate proximity to the people it serves. Inclusive, transparent and well-managed local governments are crucial to the promotion of free markets and democratic institutions.

USAID's local governance programs have generally been organized according to a framework based on the five "Attributes of a Successful Local Government System" which are: legal sustainability, democratic process, financial resources, municipal services and assets, and institutional support systems. This framework represents the graduation criteria for USAID missions having local government strategic objectives. The regional program supports field mission efforts in local government, providing opportunities for local officials and other community actors to learn through the exchange of knowledge and experiences across borders.

Project Purpose

Regional cooperation serves as an important building block for the development of democratic processes and private markets in transition countries. Our strategy seeks to provide a foundation from which local governments can become more open, participatory

and better equipped to serve the needs of their citizens. The strategy emphasizes ties with other transition countries and with Western partners, which can provide sustainability after USAID assistance ends. Local government regional activities fosters networking among ENI countries to encourage the exchange of ideas and experiences among those institutions and individuals who are committed to improving the performance and accessibility of local government.

Our future regional efforts will promote community development and partnerships to mobilize local resources, address the social welfare of citizens in the context of local government, foster robust local economies and continue to support the political consensus for reform. We will work more closely with our colleagues on small and medium enterprise development, labor issues and delivery of social services as they relate to local government. This cross-sector non governmental organizations approach will promote grassroots democracy, local employment generation, improved municipal utility and service delivery, fiscal federalism, and strengthening of the institutions that support local government.

When hostilities in the Balkans cease, the regional program will focus on the needs of the "frontline" states. Assistance will focus on small-scale infrastructure, shelter, community building, municipal development, public administration, employment generation, conflict mitigation and consensus building. The POT 2.3 could support US assistance efforts in conflict areas and in the frontline states with additional resources.

Progress to Date

LOGIN

USAID is collaborating with the World Bank, the Council of Europe, the Open Society Institute and the British Know-How Fund to develop the **Local Government Information Network (LOGIN)**. LOGIN serves as a clearinghouse for information related to local government and community development and supports the professional development of local officials through the exchange of ideas and experiences. To date, the sponsors have 1) formed a LOGIN steering committee, 2) agreed on a program concept and implementation plan, 3) begun work with institutions that will serve as LOGIN country anchors, 4) created a design for the electronic component of LOGIN, and 5) hired a project coordinator. The USAID local Government Website, which serves as a repository for USAID-funded reports, analysis and training materials has continued to expand in scope and content and serves as an important resource for LOGIN.

Our regional program sponsors workshops, seminars and conferences, often in collaboration with other donor partners—as an integral part of LOGIN. In November 1998, USAID, the World Bank, the Council of Europe and the Open Society Institute sponsored the first LOGIN event, a major conference on "**Mobilizing Community Resources for Local Economic Development**," which took place in Bucharest, Romania. Some 250 government officials, community leaders and business people from 20 ENI countries attended the conference. In plenary and concurrent sessions

participants explored major themes in local economic development including accessing capital for business development, creating an enabling environment for small and medium enterprises, public-private partnerships and regional cooperation for economic development. At the request of the Moscow mission, the POT supported a conference on Local Economic Development to prepare the Russian delegation for the Bucharest Conference.

Regional Networking

The POT continues to promote networking among local and national officials, private sector and community leaders, and urban professionals across the region. In June, 1998, it sponsored a two day regional **Municipal Finance and Budget Training Workshop** to evaluate the quality and effectiveness of the finance and budget training provided to local government officials. The workshop concentrated on issues such as curricula, training delivery and institutional capacity. In conjunction with the workshop, USAID took inventory of the training materials in municipal finance designed for the ENI region. Lessons learned and specific recommendations were published and are available on our Website.

USAID is also working with the World Bank to plan a sub-regional **Workshop on Water Utilities** for the Central Asian Republics. The two day workshop, which is to take place in late July, will focus on conducting financial "self assessments", attracting private capital and international donor loans, and the evolution of the Water Management Agencies ("Vodokanals") into self-sustaining organizations.

As a part of our stocktaking efforts, a two-day workshop on "**Maximizing Program Impact and Sustainability**" took place in late April. By distilling program experience to date, the workshop set out to develop practical tools to aid in the design, implementation and monitoring of future local government programs in the region. The focus areas of the workshop were institutional sustainability, information dissemination and impact.

Regional networking is also taking place under the USAID funded Cooperative Agreement with the **Eastern European Real Property Foundation (EERPF)**. As the end of the program approaches, EERPF has shifted its focus from helping in-country and national entities, to supporting the development of regional associations. EERPF is working closely with the Central European Real Estate Association Network (CEREAN) and the Central and Eastern European Valuers Association Network (CEEVAN) to strengthen their business planning, member services and regional networking capabilities. The POT is currently analyzing the methodologies used in this program in order to apply the lessons learned from this effort towards future programs.

Lessons Learned from Northern Tier Countries

We are working with the Regional Urban Development Office (RUDO) to distill lessons learned from the Northern Tier in municipal finance and management and in housing finance. Northern Tier country representatives will meet at a **Municipal Finance**

Conference in June to discuss issues that lie ahead as they prepare for further fiscal decentralization and entry into the EU. The conference will consider the interconnected issues of credit market development, stability in sub-national financing, grants reform, municipal management, and the role of intermediate tiers of government. RUDO is also preparing for a September **Housing Finance Workshop**. The workshop will review the progress, particularly of the northern tier countries, and examine common problems, solutions, next steps and opportunities for regional collaboration. Participants from other ENI countries will be invited to both the conferences to exchange information and experiences on the lessons learned in the Northern Tier.

Local Government Support Institutions

In July 1998, we held a sub-regional workshop for officers, staff and members of **Municipal Associations in the Southern Tier Countries**. The workshop focused on techniques and requirements of effective lobbying, development of a legislative agenda, identification of common concerns, and member services.

Fiscal Decentralization Initiative

The POT continues to serve on the World Bank chaired “**Fiscal Decentralization Initiative**” (FDI) steering committee. FDI is a multi-donor regional effort to assist transitional economies in carrying out intergovernmental reform. FDI focuses on capacity building, institutional strengthening and training, fiscal decentralization and improving fiscal management. It uses grant funds to support research and activities carried out by indigenous institutions and experts who identify key issues and solutions. In the last year, FDI has held 2 regional conferences, 2 national forums and 8 country training workshops, and has funded 14 studies and research projects. Our participation allows us to broadly influence the full program and to assure close coordination among the major donors.

Results Review

The result that we seek to achieve through our regional program is a “regional network of local governmental officials, municipal association members, relevant national officials and others providing greater access to experience based information for solving municipal problems and improv[ing] their responsiveness to citizens needs”.

The indicator selected as appropriate to this result was that “local governments change policies and introduce innovations as a direct result of information gained through regional networking”. A 1999 target was set of at least 10% of those responding to a survey indicating that policies had changed or innovations had been introduced as a result of what they had learned by participating in a regional activity.

The International City/County Management Association (ICMA) was commissioned to undertake a survey in February/March 1999 and to follow up in the autumn. At our

instruction, in this first survey, ICMA considered 1) the Municipal Finance & Budgeting Training Workshop (6/98), 2) the Local Government Innovative Practices Handbook Addendum (11/98), and 3) the Bucharest Local Economic Development Conference (11/98), together with the Moscow Local Economic Development Workshop (10/98)

Because it was the earliest undertaking, the **Municipal Finance & Budgeting Training (MFBT) Workshop** provided the best information on impact. Almost half of the participants responded to the survey, indicating that the workshop was very successful in raising awareness of the municipal finance training, the curricula and materials that have been developed. Nearly half of the survey respondents made changes to their curricula as a result of the workshop and fifty percent also expanded their training efforts. Nearly 90 percent of respondents found the networking opportunities useful. More than 70 percent learned skills that would help sustain their institutions, and 35 percent conducted market studies after the workshop to determine market demand for new course offerings.

The **MFBT Brochure** published after the workshop was widely distributed and the survey respondents who did not attend the workshop almost unanimously endorsed the publication. Nearly all found information in the brochure useful and applicable to their training efforts, and shared the document with co-workers, colleagues and other institutions. More than 80 percent of the respondents used material from the publication in their work. We continue to receive a substantial flow of requests for this brochure.

The conference on “**Mobilizing Community Resources for Local Economic Development**” drew high praise from nearly all of the respondents. Almost 90% affirmed that this cross-border conference provided information that is relevant to the performance of their jobs. Eighty-five percent of respondents found the case study examples from other countries valuable and said they made useful contacts. The **Innovative Practices Addendum** was distributed at the conference and subsequently, to others through a wide variety of channels. Three quarters of those who responded shared the guide with others, one-third said that they intend to apply specific innovative practices from the guide in their communities and twenty percent utilized the contact information in the guide to obtain more facts about the case study examples. This document, as well as an excellent series of theme papers prepared in advance of the conference by the US Council on Urban Economic Development, are available on our Website [www.info.usaid.gov/regions/eni/local_gov]

Representatives of municipalities, small businesses, non-governmental organizations, and local government experts who attended the “**Moscow Meeting on Local Economic Development**” in preparation for the Bucharest event, determined that the time had come to set new objectives in the development of local government institutions. As a result of the meeting, the group identified nine priority tasks and functions of municipal government. After the Bucharest Conference, at the urging of the Russian participants, USAID/Moscow sponsored the preparation of a 250 plus page manual entitled “**Understanding Local Economic Development in Russia's Regions: A Handbook for Professionals**”. The manual provides a comprehensive analysis of the role that local economic development initiatives play in improving urban and regional economies. It

includes discussions on sustainable economic development at the local level, best practices from the U S and CEE regions, and relevant experience and practices from the NIS Conference participants organized a **Follow-Up Workshop in Macedonia** to discuss what they had learned from colleagues in other countries faced with development issues and problems similar to their own

The **EERPF Program** has helped to create viable and sustainable national and sub-national real estate and appraisal associations. The Foundation has recently shifted its focus to support the regional real estate and appraisal networks, thereby assuring continued growth and collaboration in the real estate professions long after US assistance is concluded. During the year, EERPF concentrated its efforts on improving the management and outreach capabilities of the two networks. With EERPF's help, the two regional associations are now able to provide limited managerial and technical assistance to member organizations and to assist fledgling associations which have not previously participated in EERPF programs. Strong ties now exist between ENI real estate related associations and the US National Association of Realtors, which will help to assure the exchange of information, ideas and, most importantly, commerce in the future. No further regional funding is requested, however, two Missions will add bilateral resources to the Cooperative Agreement and the program will continue through FY 2000.

Based on the surveys carried out in Phase 1 of our Performance Monitoring Plan we are confident that the key assumptions of our regional program are correct. Local government officials and their community partners in the ENI region can and do benefit from opportunities to network and exchange information with each other. Local officials and professionals, consultants and NGOs working in the local government arena are very interested in learning about the experiences, problem-solving approaches and techniques of their counterparts in the region to improve local governance and democracy. A high percentage of survey respondents found the conferences, meetings and materials that have been produced under the regional program useful, relevant and applicable to the challenges they face. Evidence to-date in the local government field suggests that the Bureau's decision to put more resources into regional programs is a good investment and may be the most cost-effective approach to moving the reform process forward. Regional activities have the added benefit of helping missions advance their programs and countries towards eventual graduation.

Prospects for Further Progress and Resource Request

LOGIN

In the coming years, the **Local Government Information Network (LOGIN)** will provide the framework and context for most of our regional activities. It will also serve as a mechanism to permit local governments and their supporting institutions to remain involved in the regional reform process, even after their countries "graduate" from USAID assistance. Together with our partners, the World Bank (EDI), the Council of Europe, the Open Society Institute (Soros Foundation), and now the British Know-How Fund, we believe that when this system is fully developed, it will be an invaluable

resource for municipalities and other interested parties throughout the region. As our principal legacy mechanism, LOGIN has begun to facilitate dialogue and interaction with close-out countries and promote ties between local government counterparts in Western Europe and the United States. Over the next year, we will continue to “grow” the system in the CEE, expand it into the NIS, deal with various technical and management issues, continue to develop internet capacity, provide group and individual training for lead country institutions (anchors) and sponsor seminars on issues of critical importance to local governments and institutions. USAID will provide the technical assistance to the Regional Coordinator to build the internet component of LOGIN (along the lines of local government networks here in the United States) and facilitate the entry of country anchors into the system.

Regional Networking

To capitalize on the interest generated by this year’s regional conference on local economic development and maximize its impact, we will carry out sub-regional training workshops in **Skills-Building for Local Economic Development**. These workshops, which will be open to appropriate donor participants as well as counterparts, will teach the basic principles of local economic development, strategies, financing, partnering, etc., and will take into account special circumstances that may apply in the countries of the sub-region.

In the coming fiscal year, we will explore the possibility of developing a local economic development effort based on a pilot program that is underway in Poland. Under this approach US community development corporations and community development financial institutions (CDC/CDFI) would be partnered with indigenous ENI organizations to introduce new concepts of **Community Based Economic Development** and to carry out a limited number of local job creation/economic opportunity programs as demonstrations. The community based economic development approach is rapidly becoming a worldwide phenomenon and we believe that the concept could readily be applied to ENI circumstances.

As a continuation of this year’s work to prepare guidelines assessing the effectiveness of organizations providing communal services, (1) we will carry out sectoral studies, specifically in support of the **Municipal Utilities Working Group**. These studies will examine water and district heating services and will focus on regulatory frameworks, social impact, rate setting, cost recovery and targeted subsidies. (2) Using the research and guidelines as a base, we will organize a second **Workshop on Utility and Service Delivery**, which will consider the social aspects of municipal utility management and finance (cost recovery, rate setting, targeted subsidies, etc.).

Local Government Support Institutions

In continuing work at the regional level with **Municipal Associations**, during the coming fiscal year we intend to conduct a workshop or seminar focused on the role of municipal

associations in preparing for EU accession and the impact of EU accession on local governments (i.e. municipal infrastructure standards)

The 1998 Municipal Finance and Budgeting Training Workshop underlined the need for **Training More Trainers in Municipal Finance**. Indigenous institutions need to develop their capacities so that they can take over training responsibilities from the donors in this important technical area. We will support existing institutions in the region in taking the lead to further develop such training, utilizing and disseminating the excellent municipal finance and budget training materials that were developed and tested in Slovakia. These materials are being requested throughout the region.

We will also explore the possibility of **Fostering Institutional Partnerships** among ENI organizations (associations, universities, think tanks, etc.) that support local government and organizations having similar objectives in the United States. Such partnerships might carry out applied research on topics identified as high priorities by local governments. A partnering program can encourage the use of “think-tank” and university research to solve local technical and public administration problems. We are currently reviewing an unsolicited proposal from the National Association of Schools of Public Affairs and Administration (NASPAA) which proposes to carry out applied research in collaboration with a CEE Public Administration Institution (the Network of Institutes and Schools of Public Administration in Central and Eastern Europe, NISPA). This program would partner US and counterpart experts and work with local officials on priority policy issues.

Fiscal Decentralization Initiative

We will continue to emphasize fiscal federalism and municipal finance. We strongly recommend that USAID maintain its seat on the World Bank-chaired steering committee of the **Fiscal Decentralization Initiative (FDI)**. This forum provides an excellent opportunity to influence policy-making related to several of our program priorities in ways that we could not do on a bilateral basis. FDI received no funding last year and we therefore propose that sufficient funds be provided in FY 2000 to return the program to earlier year funding levels. FDI is an important mechanism to facilitate contact with graduate countries. With additional funding, we will urge that FDI be extended to the NIS countries.

We also need to maintain our support to a regional effort that we helped to launch to develop a system to generate, collect and publish data, which would permit tracking of **Fiscal Decentralization Information** on a comparative basis. This project is receiving support from the Open Society Institute, FDI directly and the Danish Government.

Selected Results/Indicators

The methodology that was used to ascertain the results of our efforts over the last year was to survey participants in conferences and workshops and recipients of materials produced under the POT's regional program. While much was learned in the process, in

many instances our efforts to obtain information were premature, occurring too soon after the event for impact to be fully gauged. Nonetheless, the results that were obtained provided a very positive picture, underlining the value and effectiveness of a regional program that encourages the pooling of experiences, knowledge and skills building at the local level by exposing people to new ideas and methodologies. We believe that seeking direct feedback from our clientele at intervals is a good way to discern the impact of our programs. Arrangements have already been made for a second survey in the fall and we intend to continue the process, making it more comprehensive and sophisticated as we go along.

Our objective remains the same, but the indicator has changed to focus on impact: "Local Governments change policies and introduce innovations as a direct result of information gained through regional networking." Target 2000/2001 – 20% of respondents to follow up surveys indicate that policies have been changed or innovations introduced as a direct result of their participation in USAID sponsored regional networking programs.

Local Government Regional Budget

Recap FY 2000

	CEE	NIS	TOTAL
Local Government Information Network	\$100,000	\$ 50,000	\$150,000
Regional Networking	\$205,000	\$130,000	\$335,000
Local Government Support Institutions	\$ 95,000	\$ 90,000	\$185,000
Fiscal Decentralization Initiative	\$350,000	\$ 50,000	\$400,000
TOTAL	\$750,000	\$320,000	\$1,070,000

RESOURCE REQUEST FISCAL YEAR 2000 AND 2001

LOCAL GOVERNMENT REGIONAL NETWORKING

POT 2 3

PROGRAM COSTS

	Initial		FY 1999			FY 2000 Est	FY 2001 Request
	FY of Fundin	Cumulative Obligations	FY 95 CO	FY 98 CO	FY 99 NOA		
NEWLY INDEPENDENT STATES							
110-0008 Urban Development							
Login						50,000	50,000
Networking	1998	200,000			132,500	130,000	130,000
Local Government Support	1998				0	90,000	90,000
Sub Totals					132,500	270,000	270,000
110-0007 Public Administration							
FD/World Bank	1998				0	50,000	50,000

NIS TOTALS 132,500 320,000 320,000

	Initial		FY 1999			FY 2000 Est	FY 2001 Request
	FY of Fundin	Cumulative Obligations	FY 95 CO	FY 98 CO	FY 99 NOA		
CENTRAL AND EASTERN EUROPE							
180-0034 Urban Development							
Login	1998				0	100,000	100,000
Networking	1998	300,000			200,000	205,000	205,000
Local Government Support	1998			60,000	0	95,000	95,000
EERPF	1992	4,700,000			0	0	0
Sub Totals		4,700,000			200,000	400,000	400,000
180-0019 Public Administration							
Networking JHU	1997	446,000		0	0	0	0
FD/World Bank	1996	700,000		190,000	0	350,000	350,000
Sub Totals		1,146,000	0	190,000	100,000	350,000	350,000
CEE TOTALS		5,846,000	0	190,000	300,000	750,000	750,000

TOTAL PROGRAM (NIS AND CEE) FOR POT 2 3 5,846,000 0 190,000 432,500 1,070,000 1,070,000

STRATEGIC OBJECTIVE 3 1 -- REDUCED HUMAN SUFFERING AND CRISIS IMPACT

New program direction to respond to Kosovo Emergency with ability to address needs in multiple countries

PROGRAM DESCRIPTION

Background

As a result of the current political and military crisis, including the disastrous Yugoslav and Serb offensive within Kosovo, the ever-growing numbers of Kosovar refugees being expelled by government security forces, and the resulting NATO bombing campaign, USAID priorities have been evolving rapidly. First and foremost, humanitarian response must play an increasingly significant role in our plans and programs. The ongoing efforts of U S PVOs and international organizations in addressing the humanitarian disaster must not only be continuously supported but must change and adjust with reality of the continued need for substantial assistance in the future.

Thus, the provision of humanitarian assistance -- basic health care, psychosocial assistance, and other social assistance -- remains ENI's top priority, absent a negotiated end to the conflict. ENI would look to expand future resettlement activities to include a broad array of project/skill areas with a perspective towards recovering of community livelihoods. Where feasible, USAID will also give priority to humanitarian relief approaches which mobilize communities (i.e. villages, camps, settlements, public buildings). These efforts will help communities work towards a more secure and healthy living environment, and support community efforts to join together on priority needs and issues.

Program Description

The Kosovo Humanitarian and Social Assistance Program (KSHAP) builds on the ENI's experience in the region over the last five years. The Trauma and Humanitarian Assistance Program supporting Croatia, Bosnia and Macedonia addressed some of the immediate humanitarian assistance needs while laying the foundation to transition to more traditional programs. Many of the activities were supported under other SOS. KSHAP will provide trauma and recovery assistance for local communities which have been affected by the devastating conflict in the Province of Kosovo. The initial focus would be on refugee and displaced populations in Montenegro, the Former Yugoslav Republic of Macedonia, Albania, and other front line countries. Assistance may also be provided to affected local communities defined as those living with large concentrations of refugees and/or where inter-ethnic tensions may be increasing. Although the initial focus is on these countries, it may later be possible to provide humanitarian and social assistance to Serbia.

New program directions are beginning to emerge which incorporate the concepts of benefit targeting, sustainability, self-help, community development and empowerment. Toward that end, the program is designed to bridge the gap between emergency relief and more long-term development assistance. It is a modest effort given the enormous needs in the region.

This program is funded under USAID Strategic Objective 3 1- Reduced Human Suffering and Crisis Impact. The KSHAP will provide a mechanism meant to serve primarily as a management unit for mobilizing PVO/NGO activity, competing and awarding sub-grants, and managing sub-grant activities. To have any significant effect, the U S NGO should expect to coordinate its efforts with assistance provided by the Governments, other bilateral donors, and private donors. Regional support is requested because of the very strong need for flexibility, to shift focus of programs (1) geographically as people move

based on the political initiatives, and (2) programmatically, dependent on the ever evolving issues and identified needs. Regional funds will allow for quick response to emerging priorities.

Program Objective

Through the Kosovo Humanitarian and Social Assistance Program, USAID seeks to respond, in a timely and cost-effective way, to the most crucial and evolving needs of refugees, internally displaced persons and other vulnerable groups in Balkan region around Kosovo. It will provide a mechanism to respond to identified humanitarian and social needs quickly and timely without significant increase in management burden.

Specifically, USAID believes that the continuing needs of vulnerable people in Kosovo justify significant programming. Hence, sub-grants under this management unit will support programs in health, including maternal child health, psychosocial assistance, reproductive health services and other women's issues, operational support, and income generation. It will address the gaps in the delivery of emergency humanitarian assistance while minimizing the potential for overlapping with other USAID-funded programs.

While the KHSAP will fund humanitarian and social assistance programs, donors are now looking for ways by which the IDPs and others can become partially or totally self-sufficient. This program not only seeks to meet its humanitarian objectives, but also looks to empower target populations, local communities, and local non-governmental organizations to assume greater control over their own futures.

Underlying the KHSAP are two assumptions:

1. Kosovo and the target populations are living through a time of dramatic change and transition.
2. The recipient organization needs to be capable, positioned and prepared to track these changes, to adjust its umbrella activities, and to help the sub-grantees adjust their service activities (either through existing workplans or geographic locale), so as to respond effectively and expeditiously to these and other unforeseen changes.

Contingency Preparedness

No CEE country budgets contain resources for responding to unforeseen emergency/humanitarian needs. To hedge against unforeseen needs that might disrupt other SO programming, a prudent plan for resources should cover a minimum US contribution to a crisis. Regional funds would be the appropriate resource to compensate for these large reductions in order to support response to new crises.

Countries and Duration

The Southern Tier Countries of CEE, especially the Balkan countries.

Results

Strategic and timely interventions to facilitate recovery from a humanitarian crisis.

C Resource Request		FY 1999 (\$000)	FY 2000 (\$000)	FY 2001 (\$000)
Balkan HSAP	CEE	0	\$1,000	\$1,000
ADMIN	NIS	\$ 330	\$ 234	\$ 160
	CEE	\$ 346	\$ 200	\$ 200

FY 2001 ENI Regional R4

Strategic Objective 3 1

Budget Request

		FY 1999 (000)	FY 2000 (000)	FY 2001 (000)
Balkan HSAP	CEE	0	1,000	1,000
Admin	CEE	330	234	160
	NIS	346	200	200
Total CEE		330	1,234	1,160
Total NIS		346	200	200
Total Request		676	1,434	1,360

ENI STRATEGIC OBJECTIVE 3.2

**Improved sustainability of health
and other social benefits and services**

POT 3 2 Input for Regional R4

"Improved sustainability of health and other social benefits and services"

Background Note A) All NIS health activities encompassed in this presentation are funded under Project 110-0004, NIS Health Care Improvement Project - CEE health activities are funded under multiple projects, namely 180-0037, Health Partnerships, 180-0038, Health Markets, and 180-0249 Project Support. In addition, CEE humanitarian assistance, 180-0016 also contributes to selected 3 2 activities.

B) CEE social sector activities have been funded under 180-0033, Labor Market Transition through a 632b with the Department of Labor. NIS travel of the PSC who manages these activities has been funded out of Project 110-0001, Special Initiatives.

Until FY1998 the ENI strategic framework did not include an explicit health objective. At the urging of the former DGSR/HRHA Strategic Assistance Area (SSA) III was changed to read *"Reform health and human services essential to successfully functioning democratic institutions and free market economies"*. In addition, Strategic Objective (SO) 3 2 was reworded to *"Improved sustainability of health and social benefits and services"*. These changes make health an explicit part of social sector issues. Health activities are being implemented in 22 ENI countries.

The social sector transformation, delayed in many countries, has now come to the forefront of the reform agenda. At the request of the AA/ENI, a Social Transition Working Group (STWG) is developing a new social sector strategy and the ENI office structure has been revised to reflect the growing emphasis on social issues. For the purposes of this exercise, SO 3 2 regional program will continue to include health and other social issues together. Once the STWG has completed its work, SO configuration may be revisited. At that time we would plan to incorporate criteria for deciding when USAID had indeed achieved its intended goal of "Social Sector Stabilization" under SSA III. At this time, however, graduation discussions are inappropriate in the face of congressional directives and the new strategy development exercise.

A) PROGRAM DESCRIPTION - HEALTH

Perceived Problem

Despite clear differences, the health sectors of many countries in the ENI region share a common heritage, common problems and common challenges in revamping their health sectors. In addition, a number of health issues which ENI countries face, like emerging and re-emerging infectious diseases, know no borders.

Although there are impressive successes within individual USAID-funded health programs and pilot projects in individual ENI countries, this "body of knowledge" (approaches, experiences, successes and lessons learned) is not being widely and effectively collected, analyzed or disseminated for use, either by USAID Missions or health officials in other ENI countries.

This problem has been aggravated by the decentralization of authority within ENI, and by the fact that few early programs consciously planned for effective evaluation, dissemination and

replication Unless this "body of knowledge" is tapped, neither USAID nor leaders in the region will be able to fully capitalize on USAID's investment in the health sector

Program Objectives

Specific to SO 3 2 ENI's regionally funded health activities will seek to make USAID's investments in the health sectors of the region more cost-effective and enduring The regional activities will enhance and secure the positive results of the bilateral programs, disseminate those results, fill gaps not presently addressed through country-specific programs, test interventions that require cross-border collaboration to be successful, and maintain partnership relationships that promote sustainability beyond closure of USAID missions This objective assumes two things Firstly, economies of scale and synergy will be derived from multiple ENI countries sharing common activities and agenda Secondly, decisions and programs that incorporate relevant past experience are, in fact, better decisions Through these activities, ENI will capitalize on the range of experiences throughout the region ENI expects that the viability of programs or approaches, which have worked in one ENI country, will be disseminated to and will be demonstrated and/or enhanced in additional countries

Illustrative of the activities pursued under the regional program is the following

- ◆ Effective communications between and among, USAID field offices, USAID/Washington, and ENI health entities (governmental and NGO) through regional conferences
- ◆ Development and dissemination of innovative/"best practices" guides
- ◆ Plugging critical gaps that have broad implications for the welfare of the region but that cannot be undertaken on a country-specific basis, or that do not fit within country-specific priorities Initiatives might include pilot programs such as dealing with cross-border transmission of HIV/AIDS or with the sanatoria structure in treatment of tuberculosis
- ◆ Cross-cutting initiatives will build upon partnership initiatives in such areas as emergency medical services, facility accreditation, health management education, infection control, neonatal resuscitation, nursing, primary health care, quality assurance and women's health
- ◆ Support for replication and policy reform, by which health sector experience will be "rolled out" from one country or sub-region and replicated at institutions and organizations in other countries of the ENI Such support could include development and dissemination of baseline data and "roll out"/replication strategies or policy workshops

RESULTS REVIEW OF FY1998 ACTIVITIES Table 1 summarizes SO 3 2 health results

3 2 1 IR Identify regional priorities and opportunities for synergy

Target One regionally significant strategy or initiative developed in the NIS and one in CEE

Result Progress exceeded expectations Two Interagency Agreements (IAA) with the

Department of Health and Human Services (DHHS) were developed to provide access to specialized technical expertise. The IAA's will also provide the means to develop a Tuberculosis Advisory Group for the region. ENI also provided support to launch a WHO/EURO Task Force on Sexually Transmitted Diseases (STD), two regional initiatives - infection control and violence against women, and dissemination of information on reproductive and women's health.

Two 632(b) IAA's with DHHS are funded under projects 110-0004, 180-0016 and 180-0038 in support of SO 3.2 and SO 3.1. Initial activities will focus on tuberculosis (TB) which is among the most serious infectious disease problems in the region.

There are multiple donors and NGOs working on TB programs in the ENI region, necessitating coordination among the various groups. In Kosovo, USAID's humanitarian assistance is collaborating with an NGO tuberculosis treatment program funded by the Swedes. WHO recently formed the MDR-TB¹ Advisory Group, Soros Foundation has an advisory group for its TB project in Russia. Missions with active TB programs such as Kazakhstan and Russia are developing their own specific activities and priorities. They are working directly with the World Bank and other donors to coordinate efforts and have found that the WHO TB treatment program, DOTS (directly observed therapy, short course), is a complex and difficult program to implement effectively in the region. We will not duplicate other coordination efforts, however, the ENI Bureau needs a region-wide group of experts that can advise us on gaps in program approaches, sound implementation measures and needs for applied research. Activities under these IAAs will help address impediments to successful DOTS implementation before rolling out to other countries.

Another component of the IAA with DHHS provides technical assistance, management and logistical support in CEE. Using DHHS experts, ENI has created pilots of health care financing and service delivery reform, built capacity of national and local health care providers to use data for decision-making and health care management and disseminated successful U.S. and ENI approaches at regional and sub-regional conferences and training. For example, the IAA has supported the following cross-regional and crosscutting initiatives during FY1998:

- Social service policy-makers, providers, advocates, family members and academics from Albania, Czech Republic, Hungary, Romania and Slovakia attended the International Conference on Children with Disabilities. As a result, these CEE countries have accepted the international standards and resolutions issued by the conference and have developed professional relationships with their CEE colleagues and internationally.
- Health care decision-makers from the Czech Republic, Hungary, Romania and Slovakia attended the Managed Care Summit and lectured on developing managed care organizations in their respective countries. In this way participants identified lessons learned about managed care delivery systems and their applicability for CEE countries.

¹ MDR-TB = multi-drug resistant tuberculosis

The **WHO/EURO STD Task Force** (TF) for Eastern Europe and Central Asia is a coordinating body for sharing information, mobilizing regional training workshops and critiquing country-specific strategies. The TF was established in February 1998 in response to the alarming rise in STDs and the increased potential of a substantial and immediate HIV epidemic in the ENI region.

The ENI Bureau supports the STD Task Force collaboration with UNAIDS in Romania, the Russian Federation and Ukraine, among other countries. The initial budget for the activity is \$100,000 under the NIS Health Improvement Project (100-0004). In the first year of operation, it held two biannual meetings, disseminated a quarterly newsletter, visited the most affected areas of the Russian Federation, provided an STD training workshop in Georgia and created an inventory of all programs and activities funded by international agencies and donors in the region.

Regional Infection Control Initiative USAID has supported the American International Health Alliance (AIHA) to manage partnerships and to promote crosscutting multi-partnership initiatives. AIHA regional activities supported initiatives in infection control and violence against women.

AIHA sponsored several major educational and dissemination activities as part of the new initiative on infection control. Over 500 partnership representatives from the U.S. and the NIS attended the 5th Annual NIS Partnerships Conference. The conference was co-sponsored by Centers for Disease Control and focussed on surveillance, prevention and abatement of infectious diseases, including hospital-acquired infections, sexually-transmitted diseases, and antibiotic-resistant organisms. NIS partners were trained in infection control surveillance techniques at the CDC prior to the conference. The conference and the companion "Common Health" journal broadened understanding among health care providers and policy-makers about necessary steps to curb the infection problem. In addition, partners in Albania, Croatia and Slovakia developed infection control training programs and surveys instruments that were disseminated through the CEE partnership conferences.

The growing prevalence of violence within families prompted the U.S. Congress to create an USG-wide "**violence against women**" initiative, in which USAID is actively engaged. As part of this initiative, AIHA has taken the lead in raising awareness among its health partnerships by incorporating domestic violence training/counseling into the eleven Women's Wellness Centers in the NIS. Additional domestic violence awareness and counseling training was provided to emergency medical workers and women's wellness center workers in Moldova and Ukraine.

Reproductive Health Information Johns Hopkins University/Population Communications Services in cooperation with JHPIEGO is developing packets of materials on reproductive/women's health to be disseminated throughout the ENI region. These materials have been developed and tested both in the U.S. and in other countries in the region. This is the first time that such educational materials for professionals will be available in local languages.

In Ukraine, 15,000 copies of a package of materials will be printed, half in Russian and half in Ukrainian. The Romanian translation of The Essentials of Contraceptive Technology has been completed and 8,000 copies will be printed. In Georgia, the Ministry of Health will translate and

print Essentials of Contraceptive Technology as well as "cue cards" used by a wide variety of health professionals including physicians, midwives and pharmacists to provide information to clients about methods of contraception. In addition, wall charts will be produced so that easily readable information on reproductive health will be visible in health centers. This same project is planned for Armenia.

Prospects for future progress We are in discussion with DHHS to create an ENI regional TB working group which will include expertise from WHO, SOROS, and other entities. We anticipate that the WHO/STD TF will continue implementing the work plan and focus on collaboration where USAID projects are ongoing. Translation and wide dissemination of materials on women's health e.g. on counseling and quality of services, will continue to augment reproductive health initiatives in individual missions. Several dissemination conferences building on successful programs from ENI countries (in areas such as pharmaceutical management and risk adjustment) are planned for 1998-99. With the new NIS Health Partnership Program in place and beginning implementation in FY1999, we will expand on other regional policy initiatives such as HIV/AIDS and cross-border activities.

IR 3 2 2 Transfer, from the U S and other ENI countries, of cost-effective, successful approaches, policies, and/or international standards

Target a) Two approaches, policies or standards adopted in CEE and one in NIS

Result a) Progress exceeded expectations. One vaccine procurement manual was developed for use throughout the region. It includes numerous approaches, policies and standards that have been brought together and pertain to the various phases of vaccine procurement. A manual for health insurers was developed for CEE. Health partnerships excelled at technology transfers. A comparative report of demographic and reproductive health surveys within the ENI region will provide key inputs for policy dialogue.

Target b) One NIS mission whose lessons learned are being disseminated throughout the region.

Result b) Progress met expectations. The development of the manual was based on the vaccine procurement experience in Armenia, Kyrgyzstan and Moldova and was of such applicability that the Africa Bureau has also funded testing of the manual in several African countries.

The Vaccine Procurement Training and Reference Manual is funded through a grant to WHO. It was developed in collaboration with an EU training manual, so both use the same terminology. The purpose of the grant was to develop, harmonize, field test, print and distribute a standardized, international vaccine procurement training and reference manual. Over the past year the manual has been field tested, harmonized to meet international procurement standards, reviewed and approved by key stakeholders in the vaccine procurement industry. Currently, the manual is being translated into Russian and the English version is being printed for the ENI region. The Africa Bureau will use the English version and will produce a French version.

Through the CEE IAA with DHHS, ENI developed and conducted an intensive training in risk management/adjustment for health insurers in the Czech Republic. This training resulted in a "Risk Adjustment Manual" which will be made available to ENI counterparts region-wide.

AIHA's **Health Partnership Regional Program** has transferred numerous cost-effective, successful approaches and policies from the U S and also between ENI countries through conferences, Special Initiative Task Forces and dissemination activities. Some examples funded by ENI regional funds include the following:

- **Policy Change** Under regional initiatives Russia has modernized its national guidelines for infection control and neonatal resuscitation, Kazakhstan and Ukraine have also revised infection control protocols, and hospitals in Croatia and Slovakia have updated their operational procedures to reduce anti-microbial resistance.
- **Adoption of Modern Practices/Training** Armenia, Georgia, Kazakhstan, Kyrgyzstan and Russia created updated, practice-based curricula for nursing education and adopted a western-model of baccalaureate-level training for nurses.
- The Chicago-Bucharest Health Management Education Partnership developed the "case-study" approach to health policy decision-making. Over 20 participants from Albania, the Czech Republic, Romania and Slovakia were trained in this methodology, enabling them to **develop modern, problem-based teaching materials**.
- Health Management Education Partnerships in Albania, Czech Republic, Romania and Slovakia are working together to **improve their health management curricula** through a joint "accreditation" process.

Note: The Health Partnership Program was explicitly designed to promote synergy, the transfer of technology and the replication of lessons learned across the region. Most health programs and most USAID missions, however, still are giving little attention to program evaluation and replication. This is seriously constraining the regional program's ability to share lessons learned across the region.

Regional Summary of Demographic and Reproductive Health Surveys A joint project of the Centers for Disease Control and Prevention (CDC), MACRO International and the Population Reference Bureau (PRB) is analyzing regional trends in demographic and reproductive health surveys conducted in seven ENI countries (Czech Republic, Kazakhstan, Kyrgyzstan, Moldova, Romania, Russia, and Uzbekistan). This project will prepare, translate and disseminate throughout the ENI region the results of this report as well as other policy/ advocacy or educational materials to improve the health of women in CEE and NIS countries.

The surveys from these seven countries are helping policy makers and program managers make better decisions to reduce abortions and improve women's health through increased availability and improved use of modern contraceptive methods. Important regional uses of these data include identifying problem areas and measuring program impact.

The comparative report will provide valuable information not available in the individual reports.

for these countries Since the break-up of the Soviet Union, many of these countries have diverged economically, politically and socially The comparative report will examine similarities and differences among countries several years after the political changes For instance, researchers and policy makers may be able to identify the characteristics that lead to increases in modern contraceptive use and reduced reliance on abortion as well as those characteristics that change fertility control practices

Prospects for progress We anticipate that WHO will distribute the Vaccine Procurement Manual to all the countries of the ENI We will continue to collaborate with WHO and other donors to provide the accompanying vaccine procurement training Under the new NIS Health Partnership Program, we expect that CEE healthy communities will provide examples to be implemented in the NIS, stimulating community involvement and empowerment of the civic society By the end of 1999, we will distribute the comparative, translated report of demographic and reproductive health surveys

IR 3 2 3 Establishment of sustainable, regional health-oriented organizations and linkages to and within the ENI

Target a) One regionally supported and managed health care network in CEE and one in NIS
b) Two cross-border cooperative relationships in CEE and two in NIS

Result Progress largely met expectations Through conferences, Initiative Task Forces and dissemination activities, AIHA partnerships have created numerous formal and informal linkages between NIS, CEE and US partners, some of which have formed regional organizations

- **Health Informatics Initiative** Before the partnership program, health care professionals in the NIS and CEE had operated in isolation from the modern research advances in medicine and management Through exchanges with U S partners and training in the use and benefits of information technology, NIS and CEE physicians first began to realize the need for modern clinical information and then began modernizing medical practices AIHA, through USAID, made a significant investment in information technology in all ENI partnerships so that NIS physicians could access updated medical research from the World Wide Web, medical libraries, journals and such evidence-based medicine sources, such as the Cochrane Collection At partner hospitals, 5,400 health care providers can search these sources Currently, partnership information coordinators are responding to 900 requests and training 400 colleagues every month Partners are also using Internet and videoconferencing technology to (1) conduct medical consultations on difficult cases, (2) Tele-medicine and distance learning and (3) enhancing partnership communication between exchange visits The information technology initiative has been essential for improving the sustainability of health care practice and for developing professional linkages between ENI health care providers
- **Health Management Education** partners in the Czech Republic, Hungary, Romania, and Slovakia have formed an informal association to collect, monitor and disseminate data and information about the impact of health reform on the health care delivery system Partners will be linked by Internet to share data and discuss impacts on a regional basis

- Through AIHA, CEE and NIS country level nursing associations participate in nursing task forces to strengthen the profession of nursing and the professionalism of members They meet on a regular basis in the task force and in conferences

Note AIHA has exceeded the targets set for establishing sustainable collaboration among CEE and NIS countries Again, outside the partnerships, however, program resources and mechanisms to pursue this IR are very limited

**TABLE 1 INTERMEDIATE RESULTS (IRs) FOR
S0 3 2 REGIONAL RESULTS FRAMEWORK-HEALTH**

IR	INDICATORS	TARGETS (cumulative)	ACTUAL
3 2 1 – Identify regional priorities and opportunities for synergy	Number of regionally significant strategies or initiatives developed	CEE FY98 - 1 FY99 - 2 NIS FY98 - 1 FY99 - 3 FY00 - 4	CEE FY98 - 3 NIS FY98 - 5
3 2 2 – Transfer from the U S and other ENI countries of cost-effective successful approaches policies and/or international standards (May be from above or from NIS country pilot)	a) Number of approaches policies or standards adopted b) Number of Missions whose lessons learned are being disseminated throughout region	a) CEE FY98 - 2 FY99 - 3 FY00 - 4 NIS FY98 - 1 FY99 - 3 FY00 - 4 b) NIS FY98 - 1 FY99 - 3 FY00 - 4	a) CEE FY98 - 3 NIS FY98 - 3 b) CEE FY98 - 1 NIS FY98 - 1
3 2 3 – Establishment of sustainable regional health-oriented organizations and linkages to and within the ENI	a) Number of regionally managed and supported (peer to peer) health care networks or associations that regularly share experience and support each other in health care reform b) Number of cross-border cooperative relationships established	a) CEE FY98 - 1 FY99 - 2 FY00 - 3 NIS FY98 - 1 FY99 - 3 FY00 - 4 b) CEE FY98 - 2 FY99 - 4 FY00 - 5 NIS FY98 - 2 FY99 - 5 FY00 - 9	a) CEE FY98 - 1 NIS FY98 - 1 b) CEE FY98 - 2 NIS FY98 - 2

B) PROGRAM DESCRIPTION-SOCIAL BENEFITS

USAID's social benefits and social assistance programs reside in a variety of Strategic Objectives in addition to 3.2, e.g. 1.1 (social assets of the state-owned enterprises), 1.2 (fiscal policies — pension), 1.4 (capital markets/pension), 2.1 (informed citizens — public education), 2.3 (local government), 3.1 (humanitarian assistance) and 4.2 (training, cross-cutting). Thus, they are neither highly visible nor represent a coordinated strategy for meeting needs of targeted groups.

Social sector reform activities, especially in CEE countries, have been implemented through the Department of Labor (DOL). No specific IRs or targets have been made explicit. Key areas of concentration have been labor market reforms and employment adjustments. These programs provided assistance to policy makers in Bulgaria, Hungary and Poland and were intended to counter growing unemployment in the region and to reduce the potential for worker unrest, which could disrupt movement toward market economies and democratic political systems. Assistance was provided in areas such as Rapid Response/Re-Employment, developing replicable economic development models for economic renewal and job creation, assisting in satisfying World Bank loan conditions, and developing skills in actuarial forecasting for pensioners and the disabled. Census workers were trained to collect and to analyze data to determine the distribution of benefits.

The most recent IAA with DOL was signed September 30, 1998 and includes three components: leveraging social reform with the World Bank, training in CEE provided by staff of the Bureau of Labor Statistics (BLS) and technical support to USAID in the area of pension reform. DOL has just started implementing the activities.

Results World Bank Leveraging, DOL has already initiated the following activities: (1) A vocational education assessment in Macedonia which resulted in a recommendation to the GOM for the creation of a market-based, tripartite National training Board. The previous government approved the recommendation but it is still under review by the present one. (2) A net impact assessment of employment services reform in Bosnia, which is expected to result in a major World Bank loan in support of integrated labor market reform. (3) An assessment of labor redeployment associated with coal sector reform in Bosnia, which will assist the GOB and the World Bank to finalize a multi-million dollar project design and will also be of interest to USAID and other partners in Macedonia, Poland, Romania and Ukraine. (4) Presentations at the Bucharest Conference on Local Economic Development which shared experiences in four countries and identified impacts of leveraging with other donors.

The BLS training continues to support monthly exchanges and training sessions. To date, BLS has offered 26 training fellowships to be completed by November 19th, 1999. All are in the area of statistical training. Participants are evenly distributed among Albania, Bosnia, Bulgaria, Croatia, Lithuania, Macedonia, Montenegro, Romania, Slovakia and perhaps Macedonia. DOL has made expertise available, on an as needed basis, to ENI's Senior Pension Advisor to review and comment upon Mission developed initiatives in the area of pension reform. To date, the activity level in this component has been low.

Prospects for Progress Progress will likely be affected by the unrest in the region. Initiatives under consideration for the future include assessment of minority employment characteristics in the region, child labor trends and approaches to the sharing of lessons learned.

PROPOSED PROGRAM - SOCIAL SECTOR REFORM

During the R4 review last year, POT 3.2 presented a proposal for a new cross-border, dissemination activity. In light of the current reexamination of social sector issues, that activity is reintroduced as a marker and as an example of the issues the STWG is considering. The construction of an adequate and cost-effective social safety net requires balancing the provision of assistance with maintaining appropriate incentives to encourage employment. A five-year regional program should focus on the social underpinnings of democratic and economic reforms that have already taken place in the region and what needs to be done to help ensure that populations continue moving in the direction of transition.

SO 3.2 ? Adopt Policies and Strategies for Increased Sustainability across the ENI Region

To increase knowledge about key aspects of social reform, major activities would be to provide a mechanism for discrete regional problem-solving initiatives, to promote cross-border exchanges of information, to develop information networks that assure CEE and NIS can benefit from each other's reform experiences, and to disseminate results from seven years of health and social reform programs through educational conferences on lessons learned about social sector transformation issues. Such an endeavor could include an ENI Center for Social Sector Performance Improvement in one of the regional institutions which could: 1) establish an index of social reform, 2) develop a data base and collection function to measure progress in social reform in relation to the indices, 3) provide educational programs about lessons learned from social reform, comparing and contrasting the impact of reform measures, and 4) disseminate information about social reform, including areas such as pension reform, labor market and unemployment, social investment fund, targeted subsidies, and community and municipal development as it relates to the provision of social services such as education, health and sanitation.

Developing this type of capability in the region, possibly through a partnership mechanism, could help identify appropriate graduation criteria and could help track the changes in the social sector which impact on economic restructuring and democratic reform as well as advance sustainable progress. While this "Center" proposal was rejected last year, its need, now, is even more urgent. At a minimum, POT 3.2 requests funding to explore the feasibility and possible alternatives for such a center.

The Regional Resource Request Tables for POT 3.2 follow

regr4mam.doc

NIS Regional Budget

CEE Regional Budget

SO	Project	Office	activity	FY1999	Request	FY2000	FY2001	Project	FY98CO	FY1999	FY2000	FY2001
SO 3 2		EEUD		2 655 000		3 000 000	2 950 000					
	0004		Medical Partnerships		1 955 000	2,350 000	2 300 000	0037	62 000	150 000	200 000	150 000
			Infectious Disease		200 000	200 000	200,000	0016	75 000			
			Family Planning		300 000	300 000	300 000	0249		70 000	100 000	100 000
			Hlth Markets/Reform		200 000	150 000	150 000	0038	110 000	120 000	100 000	100 000
			Labor Market Transition					0033		520 000	510 000	510 000
SO 3 2		EEUD		635 000								
	0001		Admin		30 000	30 000	40,000	0033		60 000	70 000	70 000
			Travel	65 000	35 000	35 000	35 000			20 000	20 000	20 000
	0004		Admin		350 000			0038		20 000		
			Travel		35 000					10 000		
			Fellows	570 000	185 000			0249		20 000		
			Admin					0249	20 149	30 000		
			Travel					0249	25 909			
99regR4.xls				3 225 000								

phd

4.2 Cross Cutting Programs – Regional R4

Participant Training – Monitoring and Evaluation

NIS Project 110-0012 Request \$550,000

CEE Project 180-0045 Request \$550,000

The ENI Bureau contracts with the International Science and Technology Institute, Inc (ISTI) for Monitoring and Evaluation Services. Funds are budgeted to incrementally fund an existing contract. **In direct support to ENI field missions and ENI/Washington**, ISTI provides full-time in-house staff to manage the Global Training for Development contracts on both the CEE side with World Learning Inc (WL), and the NIS side with the Academy for Educational Development (AED). Management of these contracts includes daily monitoring of training issues, reporting on training provider costs and programs, and regular evaluations of the implementing contractors. ISTI staff and consultants undertake training needs assessments, assist missions with partnership activities, provide training plan support (including maintaining and updating web-based software for the sharing of training plans and programs throughout the region), conduct workshops and conferences on training related subjects, and undertake special program evaluations and studies as requested by ENI Missions and ENI/W.

The ISTI contract is considered cross-cutting and regional because its activities involve all Missions in the ENI region and support all Strategic Objectives targeted by those Missions.

OFFICE OF PROGRAM COORDINATION AND STRATEGY

\$ 984,100 PSCs

Cost is split funded between NIS (\$608,460) and CEE (\$375,640). Budget figures are based on anticipated needs for new PSCs and incremental funding for existing PSCs. The levels are based on current salary costs and annual increases consistent with increases for direct hire staff. Travel costs are computed for twelve trips for the year reflecting an increase of travel required for CEE South-East support.

\$ 820,000 CDIE

Integrated Managing for Results (570,000) (NIS \$285,000 + CEE \$285,000)

Development Information System (\$250,000) (NIS \$125,000 + CEE \$125,000)

CDIE Technical Assistance. Funds technical assistance to ENI missions and ENI/W offices for strategic and performance planning, and evaluation. Services are provided through CDIE IQC.

\$1,200,000 Evaluations for NIS (\$600,000) and CEE (\$600,000)
Cross-Cutting Evaluations Provides funding for ENI/W
managed impact evaluations, focused on transition issues
common to several countries, to be initiated and managed
by the respective Program Objective Teams (POTs) and/or
by PCS

\$ 200,000 OECD – (CEE \$200,000) Technical assistance

\$3,204,100 (NIS \$1,618,460) (CEE \$1,585,640)

ENI/OM Submission

Administration (PSCs, travel, etc.)

See budget table line items 1 a Compensation, 1 b Travel, and 1 c Equipment

OTHER

RSSA - USDA (Budget Line Item 2)

PDS REQUIREMENTS (Budget Line Item 3)

Funds requested under this activity will be used to continue support of the recently established ENI Y2K Resource Center. This Center will be staffed by up to four full-time Y2K experts who will be available to provide technical assistance, training, contingency planning, and limited commodities to ensure Y2K preparedness in ENI missions. The Y2K Resource Center will serve as a Y2K "SWAT" Team, ready to travel to address unanticipated problems and TA requests from missions. Y2K problems and required fixes are expected to persist well beyond January 1, 2000.

TECHNICAL SERVICES (Budget Line Items 4 and 5)

(1) Technical assistance in program and activity design, results reporting, close-out preparation, information and financial management, and training services will continue to be supported through an institutional contract arrangement. In addition, funds are budgeted to provide direct short-term training support services to address ENI Bureau needs (i.e. grant management, CTO training, activity monitoring, etc).

(2) NGO Partnership Grant Program ENI/OM is designing an NGO Partnership Grants activity. The purpose is to develop and support technical partnerships between small U.S. PVOs which have the enthusiasm and dedication to support the continued growth of civil society in Central and Eastern Europe and indigenous NGOs. USAID succeeded in fueling the explosive growth of NGOs in CEE, but U.S. technical input, necessary for promoting the sustainability of local NGOs, continues to be crucial. As USAID closes its programs, most indigenous NGOs still lack skills in specific technical areas, fund raising, organizational development, and advocacy. Partnerships with small but experienced U.S. PVOs and local NGOs are one element of a larger U.S. effort to support the sustainability of civil society in CEE. An annual competition will be held to award small grants for creative proposals to U.S. PVOs. ENI/OM will chair the selection process and appropriate technical offices will manage the grants. This activity will be funded under Project 180-0032, the Non-Governmental Organization Development Project.

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4.2 Cross Cutting Programs

	Initial FY of Funding	Cummulative Obligations	Pipeline Sept 98	FY 1999 FY 98 CO	FY 99 NOA	FY 2000 Est	FY 2001 Request	Remarks
180-0045 Participant Training								
TA/Training Support								
Impact Evaluations								
Institutional Contractor								
Institutional Contractor								
180-0029 MTEEP Evaluations								
180-0020 ABA/CEELI								
Reg Training								
Reg Networking								
Reg Treaties								
IFES								
POT Wide PD&S								
Management Fund								
Other Support								
OIM								
RSSA USDA								
Y2K Systems (Institutional Cntr)								
TA/Training (contract and direct)								
NGO Partnership Grant Program								
PCS PD&S								
CDIE Dev Info Svs								
CDIE Integ Managing for Results								
Cross Cutting Eval								
Admin (Travel Equip etc)								
Best Practices Dissemination								
CDIE Technical Assistance								
OECD								
OTHER PD&S								
Personal Services Contracts								
(salaries travel equip)								
DG 0020								
EEUD Trng 0045								
EEUD Trng 0029								
EEUD Other								
OIM								
PCS								
ECA								
Total								

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4 2 Cross Cutting Programs

			Initial FY of Funding	Cummulative Obligations	Pipeline Sept 98	FY 96 CO	FY 1999 FY 98 CO	FY 99 NOA	FY 2000 Est	FY 2001 Request	Remarks
110-0012	Participant Training										
	TA/Training Support	Institutional Contractor	1999	\$450 000				\$450 000	\$550 000	\$550 000	ISTI Services to Missions
110-0007	ABA/CEELI							\$200 000	\$200 000	\$400 000	
	Regl Training Econ									\$100 000	
	Regl Networking									\$45 000	
	Regl Treaties									\$175 000	
	IFES									\$45 000	
POT Wide PD&S									\$300 000	\$300 000	Social Sector Evaluations
Management Fund											
Other Support											
	OIM										
	RSSA USDA		1996					\$110 000	\$90 000	\$94 500	
	Y2K Systems(Instit contract)		1998	\$150 000	\$50 000			\$500 000	\$300 000	\$0	
	TA/Training (instit contract)		1998	\$250 000	\$209 000				\$50 000	\$100 000	
PCS PD&S											
	CDIE Dev Info Svs								\$125 000	\$130 000	
	CDIE Integ Managing for Results								\$285 000	\$295 000	
	Cross Cutting Eval								\$600 000	\$600 000	
	Admin (Travel Equip etc)								\$608 460	\$642 790	
	Best Practices Dissemination										
	CDIE Technical Assistance										
	OECD										
OTHER PD&S											
Personal Services Contracts											
	(salaries/travel/equip)										
	EEUD 0001										
	DG 0007							\$158 305	\$200 000	\$216 000	
	OIM							\$850 000	\$442 500	\$455 000	
	PCS			\$2 926 999	\$466 574				\$668 460	\$702 790	
	NCA										
	EEUD 0002										
Recoveries											
Total							\$0	\$2 268 305	\$4 419 420	\$4 851 080	